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China Report

ECONOMIC AFFAIRS

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22 April 1985

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PROVINCIAL AFFAIRS

XINJIANG CONFERENCE FORMULATES COMMERCIAL PLANS

HK080456 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 6 Apr 85

[Text] The regional conference of commercial bureau chiefs has just concluded. The conference pointed out that the focal points of the region's commercial work this year are to greatly promote the development of industry, agriculture, and animal husbandry; to stabilize market prices; to protect consumer interests; and to expand the scope of the consumption and service industries.

Participants in the conference forecast this year's market situation in the region and pointed out three characteristics:

First, the market will become more lively, prosperous, and brisk. However, there are still factors that can undermine stability. In particular, the increase in the supply of paper money has exerted pressure on the commercial market.

Second, the development of industrial, agricultural, and animal husbandry production has been rapid, and there has been an abundant supply of commercial products. However, there is also a contradiction between the structure of commerce and that of consumption.

Third, the in-depth development and coordination of reforms are favorable to production development, keeping the circulation channels clear, invigorating the enterprises, and developing competition. However, there is still the situation in which our thoughts, work and workstyle do not conform to the new situation.

The conference held that in order to deal with these factors, we should do a good job in the following areas:

First, we should grasp well the coordination and practical work regarding production, procurement, distribution, and marketing, so as to promote the development of industry, agriculture, and animal husbandry.

Second, we should exert great efforts to advocate innovative operations, promote consumption and sales, and expand the scope of the consumption and service industries.

Third, after readjusting the policy on purchasing and marketing pigs, cattle, and sheep, the departments concerned at various levels should actively organize and maintain the supply of goods. They must under no circumstances disregard the work of readjusting the market and market prices.

Fourth, in connection with reform of the pricing system, we should strive to stabilize the market and handle matters by strictly adhering to the state plans and regulations. We should strengthen investigations, keep abreast of the market development, and strengthen our capability to handle all situations.

CSO: 4006/516

ECONOMIC DEVELOPMENT ZONES

STATE COUNCIL SEZ OFFICE HEAD ON FOREIGN INVESTMENT FACILITATION

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 1, 27 Jan 85 pp 8-10, 45

[Article by Wu Delie [0702 1795 3525] and Hao Baosheng [6787 1405 3932]:
"Promote Sino-Foreign Economic and Technical Cooperation; Make Every Effort
To Guarantee the Safety of Investments--A Talk by Director He Chunlin with
Our Correspondents in Hong Kong"]

[Text] He Chunlin [0149 2797 7207], director of the Office for Special
Zones in the State Council and deputy head of the discussion group for
opening up Chinese cities for investments, recently talked to our corres-
pondents on promoting Sino-foreign economic and technical cooperation and
guaranteeing the safety of investments and related questions. The talk was
held at the reception hall of the discussion group in the China Resources
Building in Hong Kong.

Director He first told our correspondents: The discussion group's activities
concerning the opening up of Chinese coastal cities to foreign investments
has come to a successful conclusion, after having met with enthusiastic
interest and support among the industrial, commercial and banking circles
in Hong Kong and various other countries of the world. This is bound to
have an important impact on improving the climate for investments in China's
coastal cities that are being opened up and the promotion of Sino-foreign
economic and technical cooperation. Undoubtedly, these grand meetings will
have profound and far-reaching significance.

I. The Office for Special Zones, A Creation of the New Situation

On the original assignment and the tasks to be taken on by the Office for
Special Zones in the State Council, Director He said: "The Office for Special
Zones was set up in 1982 at start of the new era when China engaged in an
energetic structural readjustment on its economic front and restructuring of
its economic system in order to adapt to the new developments. It is an agency
for the coordination and handling of tasks in connection with relevant SEZ's
and the opening up of cities. The personnel of the Office for Special Zones
will continue to duly exert themselves to improve the climate for investments
in coastal cities and SEZ's, to accelerate the construction of our fundamental
installations and facilities, also to improve various laws and regulations
concerned with foreign economic relations and to develop Sino-foreign
economic and technical cooperation.

In concrete terms, the Office for Special Zones will in future bear responsibility for the following four tasks: (1) the effective handling of all matters in connection with the SEZ's; (2) coordination and effective handling of all further work in connection with the opening up of the 14 coastal cities; (3) coordination and effective handling of all matters concerning the implementation of special policies and flexible measures with regard to foreign trade activities in the two provinces of Guangdong and Fujian; (4) effectively pursue the opening up of the island of Hainan and the promotion of its economic development. What is the meaning of "further work in connection with the opening up of the 14 coastal cities"? It means, internally, to delegate authority and, externally, to provide favorable conditions; to improve the investment climate, perfect economic laws and regulations, guarantee the legitimate rights of foreign merchants, increasing use of foreign capital, importing advanced technologies and promoting our socialist modernizations.

II. Strive for Benefits for Both Sides, for China and for the Foreign Parties Involved

On the question of absorbing direct foreign investments, Director He said: In developing foreign economic and technical cooperation, China has in recent years laid stress on direct investments by foreign firms, Sino-foreign joint venture operations and Sino-foreign cooperative projects, and gratifying results have indeed been achieved in these respects. Up to now, almost 400 cases of Sino-foreign joint venture operations have been approved, and more than \$500 million of direct investments by foreign firms have been absorbed. The number of Sino-foreign cooperative projects has exceeded 1,300, with an investment by foreign firms of about \$3.5 billion. Especially since the start of this year, there has been an accelerated development of Sino-foreign joint venture enterprises. From January to June of 1984 alone, over 170 such cases were approved, a figure that is almost as much as the total over the preceding 5 years. In the operation of joint venture and joint cooperative enterprises, both sides, China and the foreign parties, gained very good economic results. As far as China is concerned, by absorbing foreign capital, we are importing advanced technologies and managerial experience. As far as the foreign investors are concerned, they not only utilize China's abundant natural resources and manpower, but by selling a part of their products domestically are able to enter the Chinese market and gain good profits.

We see from these facts that as long as both sides, China and the foreign parties, strive to observe the principles of mutual cooperation, equality and mutual benefits, there are extremely bright prospects for the further expansion of Sino-foreign joint ventures and for economic and technical cooperation.

III. Early Improvement of the Investment Environment

As to the question of the investment environment, each of the coastal cities which are now additionally being opened up have certain fundamental favorable

factors, but they are not evenly distributed among all of them. What concerns foreign investors most at the present time are problems relating to direct investments, namely, how to speedily improve traffic and communications conditions. On this point, Director He explained: For the speedy promotion of Sino-foreign economic and technical cooperation and absorption of investments in China by nonresidents, China is now in the process of throwing in an enormous amount of energy into expanding its roadways, airline connections and port facilities, also building new power stations, etc. The cargo-handling capacity of the 14 opened port cities amounts to 97 percent of the total cargo handling capacity of all of China's ports. With further effective arrangements for better storage zones, railway sidings, highways and other such items of the infrastructure, the cargo-handling capacity can still be greatly increased. Work is now energetically going on at Qinhuangdao, Yantai, Lianyungang, Nantong, Ningbo and other places to develop civil airline facilities, preparations are underway to build small-scale airfields in a cooperation between the state and the local authorities.

As to communications, the state has allocated a special fund to be invested in the energetic solution of the communications problem in the 14 coastal cities. It is expected that installations and equipment for both long-distance and local telephone communications will be greatly improved by the end of 1984.

IV. Guarantees for the Safety of Investments by Foreign Merchants

The further perfection of various economic laws and regulations related to foreign economic relations is an important prerequisite for the guaranteed security of investments by foreigners. As to economic laws and regulations, Director He pointed out: In the 5 years since instituting the open-door policy, China has promulgated more than 40 laws and regulations relating to foreign economic relations, so that we may say that basically there is a legal foundation for Sino-foreign economic relations, but these still require further perfection and concretization. New laws that are currently being formulated deal with: foreign enterprises operating independently with their own capital, economic contracts involving foreigners, organization of companies, and on the importation and leasing of technologies.

V. More Effective Leadership in the Assembling and Training of Qualified Personnel

Many foreign merchants have shown great interest in the development plans drawn up for the open cities, because the items in these plans are closely bound up with the interests of the investors, but they are concerned about the reliability of these plans. To allay such doubts, Director He explained: One of the main duties of the Office for Special Zones is to assist the open cities in the drawing up of rational and feasible development plans. However, each city plan involves the question of locating one particular industry. In this situation there is the possibility for duplications of imports and construction projects to occur. The Office for Special Zones in cooperation with various State Council departments concerned will, therefore, assist the various localities in drawing up advantageous plans that will be in line with the

overall state plan for economic construction and that will integrate the specific conditions of each place along the guideline suggestions presented by the various trades for their technological imports and constructions. Judging by the plans which the State Council has already approved for the cities of Dalian, Qinhuangdao, Qingdao, Yantai and Ningbo, their contents are very much geared to actual circumstances, their measures are very effectively devised and they are very attractive in the eyes of the foreign investors. Apart from the traffic and communications problems which must be further improved, the open cities are now faced with an even more acute problem, namely, the lack of well-trained specialists. The organizational and personnel departments of the central and local authorities have, therefore, assembled a large group of proficient, intelligent and capable cadres and specialized talents to fill positions in, and thus strengthen, the departments dealing with foreign economic relations. In cooperation with departments concerned, the Office for Economic Zones has also adopted a variety of ways for the on-the-job training of cadres, and has drawn up, together with the educational departments, certain long-term training plans, also adopted measures to train as quickly as possible a larger number of specialists for work in the open cities.

VI. Many and Varied Forms Possible for Discussion Meetings

Speaking of the future plans in this line of work, Director He said: Holding a discussion on investments on the large scale as in our Hong Kong meeting will have very good results and will have a positive promotional effect on the development of China's economic relations with foreign countries, but this is certainly not the only form. We do not preclude for the future holding similar discussion meetings within China and in other countries or territories, but regardless of what form we choose, the objective is always to strengthen relationships, deepen understanding and closer cooperation. We shall warmly welcome many more foreigners to visit China to invest, but we must do large-scale and painstaking preparations and proceed in this work in a down-to-earth manner, work steadily and make solid progress.

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CSO: 4006/432

ECONOMIC DEVELOPMENT ZONES

BRIEFS

ZHANGJIANG INVESTMENT ZONE--Zhanjiang, 3 Apr (XINHUA)--Work began Tuesday in an area designated for foreign investors in Zhanjiang, Guangdong Province. The Zhanjiang Economic and Technical Development Zone covers 9.2 square kilometers. The city government will spend 120 million yuan this year to develop two square kilometers in the first phase of its construction. The initial phase will include a seven-kilometer road, power transmission lines and water pipes, and a microwave communications system. A water works will also be enlarged. According to the development plan, the zone will become an urban area with 150 enterprises and a population of 50,000 by 1990. Zhanjiang is one of 14 coastal cities opened to increased foreign investment and trade last year. [Text] [Beijing XINHUA in English 1516 GMT 3 Apr 85 OW]

CSO: 4020/172

FINANCE AND BANKING

ROLE OF PRICE DISTRIBUTION EXPLAINED

Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 11,
11 Nov 84 pp 16-19

[Article by Ye Zhenpeng [0673 2182 7720] Central College of Finance and
Monetary Affairs: "On Price Distribution"]

[Text] The question of prices is an extremely sensitive and also extremely important question which we now constantly encounter in China's socio-economic life. In his report on the work of the government at the second Session of the Sixth National People's Congress this year, Premier Zhao Ziyang pointed out: "We are presently still faced with many difficulties... Most importantly, our economic relations have not yet been properly adjusted, especially our price system is irrational, and in a short time we cannot provide the conditions for an overall reform. This has extremely strong repercussions on the favorable circulation throughout the entire economy, burdens the state treasury with a heavy load of subsidies and causes considerable difficulties for the central government's finances." Where are the problems in our present irrational price system? What are the difficulties for an overall price reform? It is necessary to study these questions not only from the policy aspect, but to explore them also from the aspect of the underlying fundamental theory. I believe the price question assumes such an importance in the effective regulation of our economic relations not only because prices reflect the exchange relations, but, more importantly, because the irrational state of our prices and a readjustment of prices directly affects the economic interests in all quarters. It is for this reason that the present article will attempt an exploration and analysis starting out from the distribution aspect of the problem.

I. The Key to the Present Reform of Prices

The price problem in our socioeconomic life is of such extreme sensitivity because it is so wide-ranging, has a crisscross of ramifications and is directly and closely linked with the economic interests of all quarters. An adjustment of the current prices is bound to affect the economic interests between those who are engaged in production, between producers and consumers, as well as the economic interests of the state, the local authorities, the enterprises and the citizens (namely in the distribution

and redistribution of income or profits). It would therefore change the present pattern of distribution of the national income and also affect the production, circulation, distribution and consumption of the social reproduction process. Under the conditions of commodity production and commodity exchanges, the question at what price a commodity is sold is, as far as the producer or trader is concerned, a question of economic interest of crucial importance. It determines the question what price level a commodity can realize as acceptable to society. The structure of the price of a commodity just before the stage of consumption is as follows: commodity price = production cost + circulation expenses + taxes + profit. The question whether this price is rational, and any adjustment of the current price, is directly linked with the various factors of social reproduction.

Viewed from the aspect of the production link in social reproduction, if the commodity price is higher than the production cost, it is a question of gaining value compensation or realizing net income. If the commodity price is lower than the cost price, it will be impossible to continue reproduction; if the commodity is sold at a price higher than the cost price, the producer can obtain a profit for the enterprise from out of the magnitude of value. Provided costs remain constant, the profit of a commodity will be split into taxes and profits in the financial distribution of the enterprise, becoming state revenue and enterprise profits after taxes. Socialist enterprises are not only intent on providing products suitable to meet the needs of society, but also on providing the income which society needs. This is an economic responsibility that the enterprise as an economic entity has to bear toward society. At the same time, the profits also represent economic benefits of the enterprise and its staff and workers. Especially in a system of expanded self-determination for enterprises and the system of economic responsibility, the production development funds, welfare funds, and bonuses to staff and workers are all linked up with the profits of the enterprises. It is for these reasons that the adjustment of prices not only affects the economic interests of both parties to a commodity exchange, but also the economic interests of the state, the enterprise and its staff and workers. Provided costs remain constant, raising or lowering prices will directly affect the tax revenue of the state and the profits of the enterprise, and, furthermore, have an effect on the bonuses and welfare of the staff and workers. Adjustments in the prices of raw and other materials, sources of energy, etc. will lead to a chain reaction that will affect the cost prices of the relevant products, and as an indirect consequence, have an influence on the economic profits of that sector of enterprises and change the amount of state revenue.

Viewed from the aspect of the circulation link in social reproduction, the procurement and sales prices of a commodity and their differential directly affect the marketing of the product, the breaking up of trading expenses and the share of profits of the enterprise, and as a consequence will affect the eagerness of the trader to carry on business in this particular product. In China, for reasons of policy, if there is an inverted relation of procurement and sales prices or if the sales price

does not cover the procurement price plus circulation costs and these circumstances cause a trading loss, the state treasury will provide a subsidy. An adjustment of prices will therefore not only affect the profits of the commercial enterprise or making up circulation expenses, but will also directly affect revenue and expenditure of the state treasury.

Viewed from the aspect of the consumption link in social reproduction, the prices of consumer goods, such as for the means of livelihood, have a direct bearing on the economic benefits of the broad masses. Under conditions of fixed levels of income for the workers, the price level of consumer goods directly affects the actual income level of the citizens, their standard of living and the structure of their consumption. Any adjustment of prices will cause a redistribution of the personal income of the citizens.

Under the conditions of socialist public ownership, the profits of industrial and commercial enterprises are a major source of revenue for the state treasury. Adjustment of prices will not only affect the product tax, which is computed from prices, but also other taxes, such as the income tax, which taxes enterprise income, and the profit adjustment tax. Furthermore, to ensure stability in the livelihood of the people, the state treasury will also pay subsidies for the portion by which the living expenses of the people have risen due to the raising of procurement prices for agricultural and sideline products, which had caused an inverted situation in procurement and sales prices and the rise in marketing prices.

It is evident--from the above-stated effects of adjustments in prices in the production, distribution, circulation and consumption sectors of social reproduction--that an adjustment of prices will change the present pattern of national income distribution and bring about a redistribution of national income. It will by itself constitute a distribution problem, which will entail not only national income redistribution, that is, a price distribution, created by the prices themselves, but will also affect distributions in public finance, financial distribution in the enterprises and furthermore show itself closely connected with the livelihood of the broad masses of staff and workers. Only by an effective regulation of the material interests within the redistribution can enthusiasm be aroused among all quarters. In the reform of the price system it is therefore not only necessary to study the theory of price distribution under the aspect of national income distribution, but the crucial point in the present price reform is the effective regulation of the national income redistribution to be brought about by price adjustment.

II. Price Distribution, Its Content and Forms of Manifestation

Prices are values expressed in currency. In the commodity exchange, buyers and sellers engage in an economic interaction on the principle of equal values. Under these conditions, the two sides by exchanging commodities merely exchange their own labor on a reciprocal basis, one

side obtains the use-value that it needs and pays an equivalent amount of currency, one side realizes the value of the commodity and obtains compensation for the value and newly created net profit. Here, the price is an exchange relation.¹ It reflects a relationship in which labor is mutually exchanged through an exchange of commodities, without any distribution relationship. The price of a commodity is determined by its magnitude of value. This incorporates the demands of the law of value, which explains that the price must be based on value. However, it is not tantamount to saying that the price for one unit of a commodity must always and completely be identical with its value. In this great and momentous scientific work, "Das Kapital," Marx--for the purpose of a scientific abstraction from the complex world of commodities and revelation of the essential nature of commodity and of value--once assumed that supply and demand were equal and commodities would be sold according to their value. Marx pointed out: "...in political economics they are assumed to be identical."² However, Marx never solidified this assumption. Marx pointed out: to have an identity of market price and market value, one condition is a necessary requirement, namely that the magnitude of production must be the same as the magnitude of demand. Marx revealed that an imbalance in supply and demand controls the law on the direction and volume of divergence between value and market price. This explains that the imbalance in supply and demand in the market can cause prices to deviate from values. In the commodity economy based on private ownership, this deviation is precisely the way in which the regulating function of the law of value manifests itself regarding commodity production and commodity circulation. Marx once pointed out: "The possibility of quantitative incongruity between price and magnitude of value, or the possibility of a deviation of prices from the magnitudes of value, lies in price formation itself."³ It explains that due to a variety of circumstances, the price of a commodity can deviate from the value of that commodity. As to the relationship between prices and values, we may say that on the one hand price is value expressed in currency, is based on value and determined by value. On the other hand, examined from the point of view of the society as a whole, in the overall scope of things and from a long-term perspective, price and value are identical, but in specific units of commodities and for particular periods of time, there can also possibly be some deviations of one from the other. In commodity exchanges these deviations can actually cause disparities in value in the exchanges, so that the value of the commodity is shifted from one party to the other party of the exchange. This shift of the commodity value from one party of the exchange to the other due to the deviation in price, that is, the redistribution of national income caused by the prices, we call price distribution. This shows that price distribution is realized by the movement by which the market price of the commodity diverges from its value. We may one step further pursue our investigation along the tracks of history and examine the various forms of expression of price distribution. It can show that price distribution is not peculiar to capitalism or socialism, but is common to all societies in which commodity exchanges exist. It is only that in the socialist society based on the public ownership of the means of production, due to the difference of economic conditions, the position and function of the law of value in

the system of economic laws of socialism is different from those of the capitalist society based on the private ownership of the means of production or of the precapitalist society. It is therefore possible for socialist countries to use price distribution in a planned way to organize or regulate the production, distribution, circulation and consumption of social products, to regulate the economic profits between the producers, traders and consumers, as an important means of regulating all relations in the national economy.

In overall perspective, there are mainly the following manifestations of price distribution:

(1) Through the disparity between prices and values, a part of the commodity values are turned over to the traders in the commercial sector as their circulation expenses and commercial profits. This price distribution, which exists in the commodity circulation process in the wake of the social division of labor and development of commodity exchanges, is an objective necessity of the development of the commodity economy. It exists in the commodity circulation processes under every kind of social formation and manifests the disparity of commodity prices in the various sectors of the commodity circulation process. In the slave society and the feudal society it manifested itself in the transfer by the producer of a portion of the commodity value created by himself to the one engaged in commodity trading--the merchant. In the capitalist society it manifests itself in the separation of surplus value. This type of price distribution carried out in a form of price differences between procurement and marketing prices of the commodity constitutes the gross profit in commerce. In his "Das Kapital" Marx pointed out that this difference between purchasing and selling prices is the distribution pattern by which productive capital transfers a part of the surplus value, making up pure circulation expenses and commercial profits, is part of commercial capital. Marx pointed out: "...commercial capital makes profits merely because the whole surplus value and profits have not yet appeared in the commodity price that was brought about by the productive capital. The sales price of the merchant can be higher than his purchase price, not because his sales price is above the total value, but because his purchase price is below the total value."⁴ This shows that the price distribution manifested in the difference between purchase and sales prices is a kind of distribution pattern, that manifests a distribution of the surplus value occurring between the productive capitalist and the commercial capitalist.

In the socialist society the price differential between the various sectors of circulation is a pattern of distributing in a planned manner the circulation expenses and commercial profits between the production and commercial sectors and between the various links within the commercial sector. The rational arrangement of price differentials between ex-factory prices or purchasing prices, the allocation and transfer prices or wholesale prices and retail prices within the system of commercial prices plays an important role in the planned organization of commodity circulation and the reform of our commercial system.

(2) The imbalances in the supply and demand in the market leads to the shifting and redistribution of commodity values caused by the deviation of prices from values. Under the conditions of commodity economy based on the private ownership system, the commodity prices, apart from being determined by the value of the commodity and the prices, apart from being determined by the value of the commodity and the value of the currency itself, will also be under the influence of the supply and demand relationship in the market. "As a matter of fact supply and demand never balance, or, if they do, it is by mere accident."⁵ However, the imbalance between supply and demand is bound to create a disparity between prices and values. If demand exceeds supplies, prices will rise and the commodity will be sold at a price above its value. In the opposite case, if supplies exceed demand, the commodity, because of the difficulties to sell it, will have its price pushed all the way down and will be sold at a price below its value. These situations arise merely because "if a certain commodity is produced in excess of the demand of society for it, so much of the social labor has been wasted; in that case this mass of commodities represents a much smaller quantity of labor on the market than is actually incorporated in it."⁶ The disparity between price and value of a commodity brought about by an imbalance between supply and demand causes a portion of the social product value to be turned over from one party to another party in the process of the exchange. The economic profits gained by the latter party from the exchange have their reason in the price, and therefore belong to the sphere of price distribution. The regulatory role of the law of value as regards production manifests itself precisely in the regulation of the direct economic profits of the producer through the disparity between market prices and values of commodities in the exchange. If the price level of the commodity or the profitability of a commodity is not of extreme importance to the producer, then the law of value loses its basis for playing any role at all. In the capitalist commodity economy, the evolution of the commodity price is the production price made up of cost price plus average profit. If the sales price of a commodity exceed the production price, the capitalist can gain the excess amount as profit. In the opposite case, if it is below the production price, but higher than the cost price, he can still make a certain amount of profit, which will be less than the average profit, but if the sales price is lower than the cost price, a loss will be incurred. The fluctuation of prices has here the effect of a redistribution of surplus value, and profits will be continuously averaged out by the price fluctuations.

In the socialist society the role of the law of value will be restricted within the system of socialist economic laws by the basic economic laws of socialism and the law of planned and proportionate development of the national economy. The state may furthermore exert control and effect regulation as regards the balancing of supply and demand in the market by means of various economic and administrative measures, apart from direct plan arrangements and directives. The scope and magnitude of this price distribution is therefore, on the one hand, controlled within certain limits, while it constitutes, on the other hand, an economic lever

by which the state directs and regulates in a planned manner the social production and consumption. When the state deems it inappropriate to effect direct arrangements through the production plan with respect to the production and consumption of certain commodities, it may adopt measures of appropriately raising or lowering the prices of these commodities, allow the producer to gain larger profits or reduce his profits, or have the consumer pay more or pay less for them, and in this way effectively regulate production and consumption.

(3) Under certain social conditions, price distributions in the form of exchanges on unequal bases take place for social or historical reasons. In the class society, certain social groups, taking advantage of their privileged political or economic position, carried out commodity exchanges on unequal bases in the course of circulation. Instances are: the buying up at cheap prices and selling at high prices practiced in the pre-capitalist society by merchant capital, in their relations with small-scale producers, especially peasants, taking advantage of their, the merchants', monopolistic position in certain areas and using various deceptive tricks; the overseas trade amounting to plundering conducted in the early years of capitalist accumulations; the price scissors in the case of industrial and agricultural products in the capitalist society; monopoly capital during the period of imperialism, taking advantage of its monopolistic position and buying up at cheap prices raw and other materials in the colonies, semi-colonial territories and in the less advanced countries, and selling their industrial products at monopolistic prices high above their value, thereby plundering their own people and the people of other countries, etc. Price distributions that have occurred in exchanges on unequal bases in the private ownership systems have the obvious nature of plunder and robbery. They are incompatible with the fundamental nature of the socialist system. Not only that, the socialist countries, in line with the development of the social productive forces, are gradually eliminating the price scissors between industrial and agricultural products which had been created by the plundering of foreign imperialism and the great disparity in the prices for certain primary mining products, raw and other materials and industrial processed materials, instituting a trend toward more rational proportions in the price relations. Price distributions brought about by exchanges on unequal bases for certain social reasons are forms of distribution which can be utilized in the socialist system to serve the interests of society. For instance, our policy of high prices and high taxation on tobacco, liquor and items of superstition, and the high price policy for high-grade confectionery, cakes, etc., during the 3 years of adjustment in the 1960's, are all applications of exchanges on unequal bases to achieve a special purpose through price distribution.

It shows that in the process of commodity exchanges, the distribution brought about by the deviation of prices from values is an inherent necessity of the commodity economy. The value of a commodity is created in the process of productive labor, but the value of a commodity is realized only through the exchange process. In the current economic life,

there exist on the one hand the various links between different trades due to the social division of labor, so that the value of the commodity is not brought into being all at once in its entirety, and at the time it leaves the sphere of its production, but is brought about in the various sectors of circulation. It is therefore engendered through forms of price differentials which gradually bring about a commodity value in the process of circulation and become a price distribution. On the other hand it is due to a variety of causes that prices deviate to varying degrees from values. If in the process of commodity circulation the price is higher than the value, the seller gains from the buyer an additional amount of value, and the buyer in order to obtain this commodity must pay a certain amount from out of his share of the national income. The opposite is true in the opposite case. Price distribution is a distribution inherent in commodity circulation. It can occur wherever commodity circulation reaches. It is therefore directly linked to the various sectors of social reproduction and also to the economic interests of all quarters of society and of the broad masses. An accurate knowledge of the existence and role of price distribution and furthermore a conscious utilization of price distribution to regulate production and consumption, controlling and guarding against its irrational application in order to effectively use the price lever is rendering service to the socialist economic construction.

FOOTNOTES

1. Refer to "Collected Works of Lenin" Vol 20, p 196.
2. "Das Kapital" Vol 3, People's Publ. Co. 1953 ed., p 218.
3. Ibid. Vol 1, pp 91-92.
4. Ibid. Vol 3, p 348.
5. Ibid. Vol 3, p 218.
6. Ibid. Vol 3, p 215.

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FINANCE AND BANKING

NATURE OF TAX REVENUE REVIEWED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO [JOURNAL OF SHANXI FINANCE AND ECONOMICS COLLEGE] in Chinese No 6, Dec 84 pp 86-88

[Article by Lin Song [2651 2646]: "On the Problem of the Nature of Tax Revenue"]

[Text] The problem of the nature of tax revenue is an important theoretical problem. Clarifying this problem is not only important in defining the theoretical system of socialist tax revenue but is also very important in understanding the role of China's socialist tax revenue in actual work. The following is a short discussion of my understanding of the problem of the nature of tax revenue.

I. How To Investigate the Nature of Tax Revenue

What is nature? Nature is the essential inherent relationship between the appearance of things or is about the special contradictions in things. Analyzing the nature of things is, thus, analyzing the special contradictions in things. What, therefore, are the special contradictions in tax revenue? Tax revenue is the legally stipulated distribution relationship formed by the state to collect material objects or money from economic units and individuals. This distribution relationship is focused on reflecting the economic and profit relationship between the state and all classes and strata. Behind this relationship, it also focuses on reflecting the relationship between the aspect of tax collection (state) and that of tax payment. Its special contradiction is the contradiction between the interests of the state and those of working people. This contradiction is mainly expressed, moreover, in the following areas: the subject of distribution is the state and it is a distribution relationship premised on state political power; the object of distribution is all social products and national income and regardless of who makes the tax payments, all tax sources come from national income created by working people in the current year or social wealth accumulated in past years; the goal of distribution is to serve the realization of state functions; the outcome of distribution inevitably favors the interests of the ruling class and not those of the ruled class. Why are we making the present further analysis which is able to determine these aspects, i.e., to

determine the subject, object, goal and outcome of distribution? The major aspects of these special contradictions which can play a decisive role in them are quite obviously the socioeconomic system and the national character. Different socioeconomic systems and different national characters determine differences in the nature of state tax revenue. We must, therefore, investigate the nature of tax revenue under different social systems from the aspect of different socioeconomic systems and national characters. The special contradiction in capitalist tax revenue is an antagonistic one; that in socialist tax revenue is the contradiction between the whole and the parts, between long-term and immediate interests and is nonantagonistic. Since this special contradiction is different for socialism and capitalism, socialist and capitalist tax revenue have completely different natures.

II. The Nature of Tax Revenue in Capitalist States

Capitalist states are tools of the bourgeois dictatorship. Under the capitalist system, the basis of productive relations is capitalist private ownership of the means of production. Its principal characteristic is that it exploits the proletariat. Money there is changed into capital, labor becomes a commodity and the state apparatus is controlled by the bourgeoisie. The bourgeoisie thus not only exploits the surplus value created by the working class in the area of production but also carries out extra-economic exploitation of the working class through capitalist state tax revenue in areas other than production. The nature of capitalist state tax revenue is, therefore, that it is the economic basis of the capitalist state and an additional exploitation of working people by the capitalist state. It reflects an extra-economic exploitative relationship.

1. The Burden of Capitalist State Tax Revenue

Capitalist state tax revenue is the major source of capitalist state revenue and the capitalist state's material basis for carrying out all reactionary functions. The burden for all taxes, direct or indirect, must be on the working people. Indirect taxes appear to be paid by commercial capitalists but tax payments are in fact all transferred to working people through including them in the prices of consumer goods. Marx has pointed out that "Under our present social system which has proprietors of enterprises and hiring of workers, the bourgeoisie generally increases taxes by using the method of lowering wages or raising prices." ("The Collected Works of Marx and Engels," Vol 9, p 74) Along with the constant increase in imperialist arms expansion, war preparations and expenditures for organs of violence, the tax revenue burden on working people is constantly increasing. Taking the United States as an example, United States personnel income taxes (constituting 45 percent of all United States tax revenue) were first collected in 1913 at which time the starting collection point was an average monthly income of \$3,000, but it is now \$300 and almost everyone must pay taxes. U.S. staff member and worker personal income taxes are deducted in advance when wages are paid. But capitalists declare their tax payments themselves and bourgeois

countries often tacitly approve of capitalist tax evasion activity. As exposed by related statistics, 245 people in the United States with annual incomes of \$200,000 paid no taxes in 1974 and 27 people with a combined annual income of \$21 million also basically paid no taxes in 1977. In capitalist states, the richer one is the more he can get away without paying taxes and this part of the tax revenue burden is all transferred to working people.

2. Capitalist State Tax Revenue Use

Capitalist state tax revenue is spent to serve bourgeois interests.

First are military expenditures. This is the major capitalist expenditure. U.S. Federal Government expenditures for buying munitions alone have reached \$50 billion a year. During the 1982 fiscal year, the Reagan government increased national defense expenditures from an original budget of 24 percent to 32 percent. Such huge military expenditures have become an important way for the monopoly capitalist class to get rich. Based on reports, approximately 65 to 70 percent of the cost of U.S. Government military goods orders of the past few years has gone into the pockets of 100 monopoly capitalists and 25 of these biggest companies have received 45 percent of military goods orders. Many munitions merchants have made huge profits.

Second are expenditures for organs of violence. In addition to using huge armies to suppress people's revolts, capitalist states also use government organs of violence, such as government officials, police, courts and prisons, to suppress the masses. The use of tax revenue coerced from the masses of working people by capitalist states to maintain these expenditures on organs of violence thus directly or indirectly serves the interests of the bourgeoisie.

Third are expenditures directly subsidizing capitalists. Through state intervention in the economy, capitalist states use the method of financial allocation to subsidize capitalists. This enables hundreds of billions of dollars of national income to be directly transferred to the pockets of capitalists through capitalist financial redistribution. For instance, those enterprises which need large amounts of capital but in which private capitalists are unwilling to invest (such as hydropower stations, roads and relatively risky experimental projects with sophisticated technology) are all funded by the state while monopoly capitalists sit idly by and enjoy the fruits of the work. In order to alleviate agricultural production surplus crises and to subsidize agricultural capitalists for reducing cultivated land, "price support policies" are carried out for agricultural products. In order to dump them on and capture international markets, export commodities are subsidized. Periodic tax decreases are given to capitalists who run new enterprises and for natural resource losses of enterprises which mine rare mineral resources.

Through the above analysis of capitalist state tax revenue burdens and uses, it is easy to verify that its nature is additional exploitation of working people by the capitalist state. It reflects an extra-economic exploitative relationship.

III. The Nature of China's Socialist Tax Revenue

Socialist states serve the interests of the working people. Under China's socialist system, working people are the masters of the state and of enterprises. Exploitative relations do not exist between the state, production units and individual workers. It is, thus, determined that the nature of China's socialist tax revenue is totally different from that of capitalist tax revenue. The nature of socialist tax revenue is that it is a state tool for raising socialist construction funds and serves the interests of the masses of working people. It reflects the socialist distribution relation of "What is taken from the people is used in the interests of the people."

1. China's Socialist Tax Revenue Sources

The major sources of China's socialist tax revenue are tax payments from socialist state-run public enterprises, collectively owned ones and rural people's communes. Since state-run enterprises occupy the leading position in the national economy in China, tax payments made by state-run enterprises now constitute approximately 80 percent of all tax revenue. China's tax revenue increases rely mainly on development of socialist production and particularly on increases in the net income of socialist state-run enterprises. State taxation of the collective economy carries out the principle of giving consideration to the interests of all three. For peasant-paid agricultural taxes, the policy of a stable burden and increasing production but not taxes is carried out. Along with the development of agricultural production, the proportion of total tax revenue constituted by agricultural taxes is thus gradually decreasing. The proportion of taxes collected by the state from working people and other individuals is very small. The sources of socialist tax revenue are essentially different from those of capitalist states.

2. China's Socialist Tax Revenue Uses

Under China's socialist system, tax revenue is directly or indirectly used for all causes benefiting working people. Through planned national budgets, the state uses funds mobilized through tax revenue to develop the socialist economy in a planned way, to develop socialist science, education, culture and health and to strengthen war preparedness and national defense. These are all directly related to the basic interests of working people.

In our socialist state, the goals of state taxation and enterprise production are identical with the interests of workers; as Marx pointed out in "Critique of the Gotha Program", in socialist society, "Everything

deducted from a producer occupying a private position can be used directly or indirectly for the welfare of the producer occupying a position as a member of society." ("The Selected Works of Marx and Engels," Vol 3, p 10, published by the People's Publishing House in 1972) Comrade Mao Zedong has also pointed out that "What we take from the people on one hand must be used to enable the people's economy to grow and be replenished on the other. ...enable the people to have losses and gains but make the gains greater than the losses." (One-volume edition of the "Selected Works of Mao Zedong," pp 848-849) It is, thus, obvious that the nature of China's socialist tax revenue is that it is a state tool to raise socialist construction funds, serves the interests of the masses and reflects the socialist distribution relationship of "What is taken from the people is used in the interests of the people."

In summary we can also see that who owns surplus products and who is served is the essential characteristic distinguishing different socioeconomic systems and different tax revenue under different social systems. Under the capitalist system, surplus products are owned by a few capitalists and tax revenue plays the role of maintaining bourgeois interests. Under the socialist system, surplus products are owned by all workers and tax revenue plays the role of maintaining the interests of all working people. Under different social systems, the different nature of tax revenue is the different class nature of tax revenue.

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FINANCE AND BANKING

JILIN 1984 FINANCE REVENUE HIGHEST EVER

Changchun JILIN RIBAO in Chinese 8 Jan 85 p 1

[Article by Lang Wenda [6745 2429 6671]: "1984 Is the Year With the Highest Financial Revenue in Jilin's History"]

[Text] 1 January--This reporter has learned from the provincial financial work conference currently in session that 1984 marked the year with the highest revenue in Jilin's history which showed an increase of 21 percent over 1983. The margin of revenue increase surpassed the increase of industrial and agricultural output value. The financial situation across the province had taken a significant turn for the better and the revenue and expenditures were balanced with some surplus.

Since the beginning of last year, the finance and tax departments at all levels throughout the province have reformed and relaxed 104 rules governing the management of finance, tax affairs and enterprise financial affairs thereby arousing the enterprises' enthusiasm for making and managing money. On the basis of the reform involving the second step of substituting tax payment for profit delivery, target control has been practiced and "inner-factory banking" promoted; the control over state-operated small enterprises has been totally loosened and collective management practiced to add vitality to the enterprises and improve economic results. Last year, the industry realized a profit of 10.095 yuan from every 100 yuan of output value or an increase of 1.10 yuan over 1983. The industrial income registered an increase of 10.4 percent over 1984, industrial and commercial tax revenue was 14.3 percent greater than in 1983. In the meantime, finance departments at all levels had also coordinated with enterprises under the industrial, commercial, grain departments and supply and marketing cooperatives to work energetically in turning losses into profits and achieved notable results. The number of budgeted money-losing industrial enterprises had decreased from 183 at the beginning of the year to 58 and the amount of loss had diminished from 15.8 percent to 5.2 percent, with 54 percent turning from loss into making profit. The loss caused by erroneous policies had dropped 7.7 percent as compared with 1983. The state-operated transport enterprise had managed to get rid of the money-losing label of the whole system. There was no money-losing

enterprise in 26 cities and counties including Baicheng, Tumen, Shulan, Yushu, Huaide, Tonghua, Qianguo and Taoan. With the improvement of economic results, the percentage of profit retention in enterprises had also increased. The percentage of profit retention in industrial, commercial, grain, agricultural and animal husbandry enterprises last year registered an increase of 14.6 percent over 1983.

With the industrial and agricultural production in our province making steady progress, the financial and economic situation has also taken a turn for the better year after year, the financial expenditures throughout the province last year had also increased markedly as compared with the previous years. Also increased substantially over 1983 were funds for technical renovation and technical progress, self-financed investment for capital construction, funds for intellectual development and funds in support of agriculture. In the meantime, funds were also allocated in accordance with the province's financial resources to defray expenses not included in the planning such as activities for old cadres, maintenance and repair of dormitories of middle and primary school teachers and housing for senior intellectuals. The task of collecting funds for key energy and communications construction and the task of subscribing treasury bonds had also been overfulfilled at the same time.

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FINANCE AND BANKING

BRIEFS

DAQING 1984 TAXES REPORTED--Daqing oilfield in 1984 delivered over 3.45 billion yuan in tax in place of profits to the state, or 68.01 million yuan more than in 1983. Since the implementation of contract responsibility system in various forms centered on taking responsibility for crude oil output last year, Daqing oilfield has aroused the enthusiasm for production among the broad masses of workers and staff members. As a result, crude oil output has reached 35.56 million dun, making the biggest breakthrough in crude oil output in Daqing in 9 years. Up to now, the whole oilfield has accumulatively delivered more than 67.7 billion yuan in tax in place of profits to the state thus ranking first among industrial and mining enterprises across the country. [Text] [Beijing GONGREN RIBAO in Chinese 12 Jan 85 p 1] 12662

CSO: 4006/343

MINERAL RESOURCES

BRIEFS

POWDERED QUARTZ MINE DISCOVERED--A rare and extraordinarily large powdered quartz mine in China has been discovered in recent years in the western region of Jiangxi. According to the preliminary prospecting, the reserves total more than 10 million dun. The mineral deposits of this powdered quartz mine are buried very shallow, mineral ores can be seen after stripping open the earth's surface between several and scores of meters in depth. The general thickness of the mineral body measures over 20 meters. The west Jiangxi powdered quartz mine is a rare fine-quality mine. Comparing with the quartz mines already being worked in our country, the purity of the silicon dioxide content, a major component of industrial raw materials, is very high, it contains small quantities of iron and manganese impurities. The quartz grain, finer than flour, can be directly used for industrial production after extraction without processing. This kind of silicon raw material is indispensable raw material for manufacturing glass wares, ceramics, refractory materials and rubber goods. [Text]
[Changchun JILIN RIBAO in Chinese 3 Jan 85 p 1] 12662

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INDUSTRY

HUBEI DEVELOPS TEXTILE INDUSTRY

Wuhan HUBEI RIBAO in Chinese 22 Aug 84 p 1.

[Article: "Development of Hubei's Textile Industry"]

[Text] Since the PRC was founded, Hubei's textile industry has developed rapidly. Before liberation Hubei's share of cloth per person was only 0.7 meters, increasing to 14.6 meters in 1978 and 24.2 meters at the end of 1983. Since then bright and colorful textile products in huge quantities and of new designs and varieties have "deluged" consumers' families.

According to the statistics released by the head office of the Provincial Textile Industry Corporation, the number of textile mills in Hubei rose from 5 in 1949 to over 1,100 in 1983, that of spindles rising from about 140,000 to 1.84 million, and the annual output of cotton cloth from 18 million meters to 1.2 billion meters. Since the 3d Plenary Session of the 11th CPC Central Committee, Hubei's textile industry has developed even more rapidly, resulting in significant increases in economic results. In the 5 years after 1979, Hubei's textile industrial system provided the state with over 4.06 billion yuan, equivalent to the aggregate accumulation over the past 29 years. On the national level, Hubei's textile industry is now ranked third in fixed assets in the gross value of industrial output and in accumulation. With its productivity for knitting, duplicating, printing, dyeing and making silk textiles greatly enhanced, Hubei is now one of the PRC's six major bases of the textile industry.

Since the 3d Plenary Session of the 11th CPC Central Committee, Hubei's textile industrial system has accelerated the development of new products, initially forming an integrated system of product structure in which the use of raw materials is diversified printed and dyed products appearing in special categories, knitwear turned fashion wear and assorted decorative products appearing in complete sets. Last year's output of synthetic fibers products was over 30 percent of Hubei's total textile output. Various categories of mixed fiber textiles have increased rapidly. Huge quantities of mixed fiber textiles in the form of hemp, ramie, flax, silk wool and silk cotton have appeared. In recent years Hubei has developed 430 categories of new textile products, with 12 of them having won national-level quality awards and 400 others having been cited for superior quality by provinces and ministries.

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INDUSTRY

HUBEI EMERGES AS METALLURGICAL INDUSTRY BASE

Wuhan HUBEI RIBAO in Chinese 22 Aug 84 p 1

[Article: "Hubei's Metallurgical Industry Is One of China's Major Bases"]

[Text] Hubei's 1983 steel output was 4,086,000 tons, or one-tenth of the national steel output. The present monthly steel output of the metallurgical industry equals the aggregate output in 35 years of Han-Ye-Ping Company before liberation.

Since the PRC was founded, the state has successively invested and established in Hubei the Wuhan Iron and Steel Corp, the Daye Steel Plant, the Daye Non-ferrous Metal Corp, and other major key enterprises. Since the 3d Plenary Session of the 11th CPC Central Committee, significant changes have occurred in the product structure of these enterprises, resulting in notably higher economic results. The 1.4-meter roller of the Wuhan Iron and Steel Corp went into production at the end of 1978. By the end of July this year it had provided the state with over 9.89 million tons of hot-rolled and cold-rolled metal sheets, galvanized iron sheets and silicon steel sheets. In recent years it has gained profits at the rate of 100 million yuan a year. The Daye Steel Plant is one of China's 15 major producers of special steels. Since 1980 the special steels produced by that mill have multiplied to hundreds of categories with over 1,000 specifications.

In the 5 years from 1979 to 1983, Hubei boosted its output of cast iron, coke, crude copper, galvanized copper, galvanized lead, gold and other major products. In these 5 years the gross value of the metallurgical industry output rose by 1.47 billion yuan, netting over 360 million yuan in profits and over 120 million yuan in tax payment.

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INDUSTRY

HUBEI DEVELOPS MACHINE BUILDING INDUSTRY

Wuhan HUBEI RIBAO in Chinese 22 Aug 84 p 1

[Article: "Hubei's Machine Building Industry Technology Makes Advance"]

[Text] Hubei's machine building system, featuring vehicles, tool machines, farm machines, electrical motors and general appliances, is now capable of producing over 7,500 kinds of machinery products under 18 major categories. Under this system are the Second Automobile Plant, Wuhan Heavy Tool Machines Plant and a group of large and medium state enterprises. According to the statistics of the Provincial Machine Building Industry Department, in 35 years Hubei's machine building system has provided the state with over 260,000 vehicles, over 93,000 tool machines of various types, diesel engines of 8 million aggregate horsepower, large quantities of mining and power generating equipment, industrial boilers, etc. In 1983 alone, Hubei provided the state with over 6,700 sets of machinery equipment for use by 50 key construction projects.

In recent years, Hubei's machine building system has brought in technological know-how to develop new products and achieve significant economic results. Since 1980, Hubei has undertaken research and manufactured over 770 categories of new machinery products for home use. Of these, 114 categories have won state certified quality awards and received citations for superior quality from provincial authorities. In 1983, Hubei's machine building system chalked up a gross value of industrial output in the region of 3.69 billion yuan, being 200 and 2.38 times greater than 1949 and 1978, respectively.

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CONSTRUCTION

INITIAL PHASE OF TROILITE MINE CONSTRUCTION COMPLETED

Hohhot NEI MONGOL RIBAO in Chinese 3 Jan 85 p 1

[Article by Zhang Zhedong [1728 0772 2767] and Qiu Dajian [6726 1129 1696]:
"The First Phase of Construction of the Tanyaokou Troilite Mine in Nei
Mongol Region has Been Completed and Put Into Operation--the Largest
Modernized Troilite Mining Industrial Base in North China"]

[Text] After years of arduous struggle by the broad masses of workers and staff members, the first-phase construction of the Tanyaokou troilite mine in Nei Mongol, one of the key construction projects of the Ministry of Chemical Industry during the "Sixth 5-year Plan" period of the state has been completed as scheduled and put into operation after a successful test-run. The largest modernized troilite mining industrial base in north China with an annual production capacity of extracting by machinery 450,000 dun and dressing 400,000 dun of ore has taken shape.

The Tanyaokou troilite mine of Nei Mongol is located at the foot of the Langshan mountain in the Ba-meng Urad Rear Banner, the mineral deposits include sulphur, copper and zinc of very high grade. The mineral reserves total more than 72.4 million dun. It is one of the three largest troilite mines in China. Since 1970, builders from Hanggin Rear Banner, Wuyuan and Urad Rear Banner and other counties, villages and townships have been coming successively to this barren hill to pitch tents and engage in pioneering work with sledgehammers and iron drills. In April 1981, the Ministry of Chemical Industry called a special meeting to revise the designing of the Tanyaokou troilite mine. It was decided that the mine be included as a state key project for continuous construction, a total of 83.47 million yuan was invested to quicken the pace of construction of the mine. The mien signed a five-responsibility contract with the Ministry of Chemical Industry and the autonomous region assuming responsibilities for investment, the time limit for the project, construction quality, major essential materials and comprehensive production capacity. The Ministry of Chemical Industry on the other hand pledged five guarantee's to the mine, guaranteeing construction funding, guaranteeing equipment and materials, guaranteeing designing and the rate of construction progress and quality by units subordinate to the ministry, guaranteeing the allocation of technical cadres, operational backbone personnel and technicians, and guaranteeing the supply of raw materials needed for the

test-run and the distribution of these raw materials which is authorized by the Ministry of the Chemical Industry. Correspondingly, the autonomous regional government has also offered five guarantee's to the mine, guaranteeing working capital for production, guaranteeing the supply and regulation of materials with the region taking charge, guaranteeing the allocation of leading groups and production personnel in keeping with the "four modernizations" criteria, guaranteeing requirements for forming complete sets by outsiders and guaranteeing the solving of other problems cropped up in the course of construction. By working in full cooperation and in concerted efforts between the higher and lower levels, the production project for the first-phase construction was victoriously completed by the end of 1984 and the other livelihood service project in the mining district are now winding up. It is expected that the whole project will be completed by the end of 1985.

The Tanyaokou troilite mine in Nei Mongol is one of the key projects of the Ministry of Chemical Industry. Under the plan, the construction is divided into two phases. The first-phase construction has been completed on 1 October 1984 and put through a test-run. The completion of this mine will play an important role in developing China's industries.

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CONSTRUCTION

BRIEFS

DONGDAN TELEPHONE EXCHANGE COMPLETED--The main exchange building of the Beijing Dongdan telephone bureau, one of the key construction projects in the country, was completed by the end of last year after 1 year and 11 months of intense construction work by workers of the No 2 team of the No 2 engineering district of the Beijing No 5 Construction Company. Departments concerned which checked and accepted the building on 8 January assessed that the construction quality has met the standards of excellence. Equipment is being installed from the first to the third floors in the main exchange building at present. The construction area of the main exchange building of the Dongdan telephone bureau covers 20,010 square meters with one floor underground and eight stories above the ground 46 meters in height. It is an inner-city bureau with the biggest installed capacity and comparative solid functions in China today. In the final period, it will install crisscross automatic telephone exchange machine of 40,000 lines, 10,000 lines will be installed during the initial period. After putting into use, it will be the relay center of the communications network of Beijing municipality and a relay bureau of long-distance automatic direct-dial telephones in remote suburban districts. [Text] [Beijing GONGREN RIBAO in Chinese 10 Jan 85 p 1] 12662

CSO: 4006/343

DOMESTIC TRADE

URBAN TRADE CENTERS FLOURISH ACROSS CHINA

OW131719 Beijing XINHUA in English 1705 GMT 13 Mar 85

[Text] Wuhan, 13 Mar (XINHUA)--There are now 130 large trade centers across China buying and selling materials above the state quota, a current national conference here on urban economic reforms was told.

These include rolled steel, vehicles, building materials, chemicals and machinery, delegates heard.

The center have been established as part of the national reform of the materials management system.

The aims are to break down barriers between departments and regions, to stimulate the flow of goods and to curb stockpiling.

China's second-largest trade center will open on Friday in the Shantou Special Economic Zone, Guangdong Province. The biggest is in the Liaoning provincial capital of Shenyang.

The new one has a 12-storey office building covering a floor space of 18,000 square meters. More such centers are to be established in big cities such as Beijing, Shanghai, Wuhan, Chongqing and Xian, the conference was told.

The centers offer such services as business information, consulting, advertising, communications, food and accommodation. Customers can hold trade negotiations and settle accounts there. One center in Chongqing, Sichuan Province, handled the sale of goods worth nearly 60 million yuan from its inauguration in July to the end of 1984. This was the equivalent of 88 percent of the total turnover of the city's materials department during the five-month period.

Another center in Wuhan, capital of Hubei Province, now has business ties with 210 firms in most parts of China, and sells 4,000 types of equipment.

China's retail sales totalled 335.7 billion yuan last year--up 14.6 percent on the year before. The increase was due partly to the reform of the materials management system.

CSO: 4020/172

DOMESTIC TRADE

NEW SYSTEM AIMS TO IMPROVE QUALITY CONTROL

OW281441 Beijing XINHUA in English 1322 GMT 28 Mar 85

[Text] Beijing, 28 Mar (XINHUA)--China will issue certificates confirming the quality of consumer durables and other goods this year, the State Administration of Standards announced today.

The new system is expected to improve product quality by setting technical standards. It will also make Chinese products more competitive, and help protect the interests of both the state and purchaser.

Compulsory examinations will be first made on electric fans and washing machines, the administration said, followed by goods whose use involves personal safety and health. Those considered up to state quality standards will be given certificates and be specially marked.

Manufacturers of other products may apply to the administration for assessment on a voluntary basis, he added.

Meanwhile, a circular issued by the Ministry of Light Industry this week urged local authorities to take a new look at the quality of a number of top brand-name products, particularly consumer durables.

The quality of "Wanbao" and "Snowflake" brand refrigerators--two of the most popular brands available--had dropped this year, the circular said. This was also true of other goods including wristwatches, bicycles, down clothing, toys, porcelain and leather shoes.

The drop in quality was caused by factories relaxing quality control standards after winning state prizes, the ministry said.

It stressed that factories whose product quality dropped markedly must be made more efficient. Local authorities could order them to suspend production if necessary, the circular warned.

CSO: 4020/172

DOMESTIC TRADE

GUANGDONG, LIAONING REACH AGREEMENT ON ECONOMIC COOPERATION

HK040828 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 3 Apr 85

[Text] According to a NANFANG RIBAO report, responsible comrades of our province have recently exchanged views with responsible comrades of Liaoning Province on relevant issues, including economic and technological cooperation and strengthening regional economic contacts, and have reached an agreement on conducting economic and technological cooperation in many aspects between the two provinces.

Both parties have agreed on the establishment of three companies:

1. They will set up the Guangdong-Liaoning Economic and Technological Development Corporation, which will be set up in Guangzhou and will gradually set up branch organs in Shenzhen, Zhuhai, Hainan, Shenyang, and Dalian. Through importing advanced technology and equipment and maintaining internal ties, the two provinces' economic and technological development will be promoted.
2. Communications departments of both parties will conduct consultations and will provide ships to organize a joint sea transport fleet and to establish the Guangdong-Liaoning Maritime Transport Company to promote the exchange of materials between the two provinces.
3. Guangzhou City and Shenyang City will jointly set up Shenyang-Guangzhou Joint Food Company to jointly develop the new food industry.

The two provinces have agreed to jointly exploit aquatic product resources in the Nan Hai [South Sea]. They will also cooperate with each other to import advanced technology and equipment and to jointly set up factories which can produce raw materials in short supply. Moreover, they will vigorously support their cities, prefectures, counties, and enterprises to carry out all-round, long-term, and steady economic, technological, talented people, and material cooperation and exchange of information, as well as to jointly set up factories.

CSO: 4006/516

DOMESTIC TRADE

BRIEFS

RETAIL SALES BOOM CONTINUES--Beijing, 26 Mar (XINHUA)--China's retail sales in January and February were worth 65.8 billion yuan--a third more than in the same period last year, today's ECONOMIC DAILY reported. Sales of daily consumer goods and supplies for farming during the two months increased by 34 and 21 percent respectively over the same period in 1984. Commercial officials said that China's retail sales last year brought in 335.7 billion yuan--a 14.6 percent increase over 1983. Growth is expected to continue this year. The officials attributed this to rising living standards and commercial economic reforms, under which power has been decentralized, and collectives and individuals have been encouraged to open more retail stores. China has 2,248 urban trading centers, 56,000 market fairs and 58,000 small state-run retail, catering and service shops, which operate independently and assume sole responsibility for their profits or losses. There are now more than 9,300,000 private business people across the country. [Text] [Beijing XINHUA in English 1200 GMT 26 Mar 85 OW]

STATE CIRCULAR ON POOR PACKAGING--Beijing, 22 Mar (XINHUA)--Commodity damage due to poor packaging is a chronic cause of dissatisfaction with Chinese merchandise, according to the General Office of the State Council. Quoting a report from leading officials concerned with packaging inspection, the general office said in a circular that all localities, departments and enterprises should work out programs and measures to improve packaging, which is required to achieve a significant degree of upgrading within the next three years. In the course of inspection last year of the packaging of more than 600 kinds of commodities, serious damage was found to have been caused during loading, unloading, transportation and storage, due to inadequate packaging. The losses thus caused were estimated at 10 billion yuan. The leading group stressed the improvement of packaging for cement, plate glass, chemical fertilizer, eggs, fruits, aquatic products and bicycles, in particular; China expects to cut such losses by one to 1.5 billion yuan this year. In appraisal of commodities, the packaging must also be taken into account, the leading group urged. It also called for the formulation of technical standards for packaging containers and materials. [Text] [Beijing XINHUA in English 1532 GMT 22 Mar 85 OW]

CSO: 4020/172

FOREIGN TRADE AND INVESTMENT

OVERVIEW OF ACCOMPLISHMENTS IN SINO-JAPANESE COOPERATION

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 9, 27 Sep 84 pp 13-14

[Article by Li Ling [2621 3781]: "Achievements in Sino-Japanese Economic and Technical Cooperation"]

[Text] It has been 12 years since China and Japan established normal diplomatic relations in 1972. We are happy to see the tremendous progress made in economic cooperation between China and Japan during this period. The credits provided to our country by the Japanese Government and its direct investments in projects in China have reaped rich fruits. In December 1979, the Japanese Government provided a loan of 200.9 billion Japanese yen to our country for use in the construction of two harbors and two railroads, namely, the construction in Qinhuangdao port of two 50,000-ton coal berths and the construction of one each of 100,000 ton and 25,000 ton at the Shijiusuo port; single-track laying of the Yanzhou-Shijiusuo railroad and the building of the Beijing-Qinhuangdao double-tracked electric railroad. The commodity loan of 99.1 billion Japanese yen provided by the Japanese side has been used in the first-phase construction project of the Baoshan Iron and Steel Works and the Daqing petrochemical construction project. Our country has also used the energy loan of 285.6 billion Japanese yen provided by the Japanese side for the construction of the Chengbei oilfield, offshore exploration in the Bohai Sea, the construction of the North China and Shengli oilfields and the construction of Baodian, Jiangzhuang, Xiqu, Qianjiaying, Malan, Zhenchengdi and Sitaigou collieries. The above projects are now underway. The construction of the two ports and two railroads is now progressing rapidly, it is expected that the Qinhuangdao port project will be completed and put into operation by the end of this year, that the Shijiusuo port project and the Beijing-Qinhuangdao railroad will also be put into operation by 1985 and that the Yanzhou-Shijiusuo railroad will be completed by 1986. The completion of these projects will further develop our national economy to a certain extent. Negotiations for loans for the second batch of projects between the two countries have started and talks in specifics are now being carried out by departments concerned from both sides.

With regard to direct investments, up to now, Japan's direct investments in our country have come to \$800 million, of which over \$47 million have been invested in 17 enterprises of joint ventures. In line with the principle of equality and mutual benefits and thanks to the joint efforts made by the

Chinese and Japanese sides, both sides are fairly satisfied with the economic results achieved by these enterprises. The Chinese Nantong Rikio Co, Ltd, a triangular joint venture by the Chinese International Trust and Investment Corp, the Nantong City Light Industry Bureau of Jiangsu, and Japan Rikio, specializing in producing Japanese Y-type durable cloth shoes, has achieved prominent results since it was put into operation in February 1983. The Japan Rikie Co has been producing and handling this type of cloth shoe made from durable denim for over 40 years, it enjoys numerous patent rights including patented techniques and trademark. To help the Nantong Rikio Co, Ltd beef up its technical backbone force, the Japanese side had organized personnel from the Chinese side to undergo training gratis at the "Philippines Southeast Asia Rikio Co, Ltd," a Japanese-Filipino joint venture, so as to master the complete technical process of producing the Japanese-style Y-type durable cloth shoes. As a result, Nantong has immediately become one of the major production bases for "Rikio shoes" since this enterprise was put into operation. Thanks to the harmonious cooperation and work coordination between the Chinese and Japanese sides, the annual average rate of quality products has registered 94 percent; all the finished products are being exported to Japan to be marketed by the Japanese side exclusively. Instead of losing money during its first year of operation, the Nantong Rikio, Ltd, made profits with both sides gaining economic benefits. Both the Japanese manager and the vice chairman of the board have considered it an amazing miracle that such economic results as reaching quality standards and realizing profits were achieved during the same year after going into operation. This enterprise has received favorable comments from various quarters both at home and abroad for making a quick start, being fast in making profits, achieving good results and displaying excellent team spirit.

The Fujian Hitachi Television Sets Co, Ltd, is a joint venture established in December 1980 by Fujian Province together with the following Japanese corporations: the Hitachi Factory, the Hitachi Home Appliances Sales Corp and the Toei Shoko. Since it was officially put into operation in June 1981, the company's annual output has increased progressively year after year at the average rate of over 95 percent. Under this year's plan, it will produce 380,000 sets; the company's total output value has reached an average annual increase rate of over 150 percent; the average annual increase rate for profits amounted to 98 percent; the average annual increase of labor productivity involving all employees came to 132 percent. The record of cooperation in the past 3 years shows that this company has achieved fairly good economic results. The average numbers of trouble-free hours for black-and-white television sets produced by this company has now reached over 10,000 hours, the number of trouble-free hours for color sets also reached 20,000 hours and the quality standard rate in regular tests registered 100 percent. All these targets have reached the level of Japanese sets of the same categories. These products are now being exported to Canada, Panama and Hong Kong. The Chinese and Japanese sides are satisfied with the achievements made by this company. Mr Naito, vice chairman of the board of the Japanese side, hoped to hold talks on expanding the scope of cooperation in the Fujian Hitachi Television Sets Co, Ltd.

Just as NIPPON SANKYO SHIMBUN stated in its 17 January 1984 report: "It can be said that the Fujian Hitachi Television Sets Co, Ltd, that achieved actual results...has become a model enterprise under joint venture." Another example is the China Toho Leasing Co, Ltd, this enterprise of joint venture was formed in April 1981 by the China International Trust and Investment Corp, the Beijing Electric Equipment Co and the Toho Leasing Corp of Japan. It is the first joint venture enterprise with Chinese and foreign capital in China that specializes in the international leasing business. In the past 3 years, this company has expanded its leased items to over 130 and the total amount involved in this leasing operation came to over \$56 million. The forms of transactions include financial leasing and the combination of leasing and compensatory trade, the combination of leasing and investment in joint venture enterprises with Chinese and foreign capital which the company pioneered. The importation items include light industry, metallurgy, electronics, tourism, textiles, building materials, construction machinery, medicine and hygiene, chemical industry, communications and transport, culture and education, machine-building, environmental protection, S&T and agriculture. At present this company has established friendly contacts with banks and financial institutions in Japan, Britain, Italy, France, the FRG, Canada, Sweden, the United States and the Hong Kong region; it has also established cordial trade relations with reputable trading companies and manufacturers in Japan, Western Europe, the United States and the Hong Kong region and won high praise from financial and industrial and commercial circles universally.

From the above, it is clear that economic and technical cooperation between China and Japan has achieved success with both sides reaping economic benefits. It also presages the growing reputation of friendly cooperation by the two sides and the latent potential of this cooperation.

Since our country implemented the policy of opening to the outside world, Japanese industrial and commercial circles have followed our principles and policies of absorbing investments with great interest. In April this year the Japanese Government sent a government investment investigation delegation to China to make a detailed study of our principles and policies of absorbing investment, the delegation consisted of more than 40 entrepreneurs. Since our country decided to further open up 14 coastal port cities from Dalian in the north to Beihai in the south, Japanese business circles have shown strong interest and people have flocked to China to study relevant principles and policies. Some financially powerful large enterprises, large financial groups and banks and medium and small enterprises interested in investing in China have come one after the other these days. For example Japan's Matsushita, Nomura and Industrial banks have all expressed interest in large-scale cooperation, wanting to participate in Shanghai's Minhang and Hongqiao developmental projects. Japan's Nomura group and the Okura Hotel are planning to build a wholly owned five-star, high-class hotel on the northwest side of the Jinjiang Club in Shanghai; the Mitsui group is also planning to build a wholly owned high-class hotel north of the Ruijin Guest House and so forth. Our country's four modernizations drive has now entered into a new developmental stage, the expanded authorities given to the 14 open coastal port cities in examining and approving foreign investment projects

particular have provided more favorable conditions and an excellent investment environment for foreign businessmen to invest in China. These cities are now focusing on renovating old enterprises and building a number of urgently needed medium and small enterprises with foreign capital.

Japan is a major industrial country equipped with advanced technology and experience in market management, our country, on the other hand, has rich natural resources, an abundant labor force and a vast market. The mutual understanding between China and Japan and convenience in travel have provided more opportunities for friendly contacts and economic and technical cooperation between the two countries. We welcome the Japanese financial and business circles to invest in China and wish that the flowers of Sino-Japanese economic and technical cooperation will continue to bear rich fruits.

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CSO: 4006/203

22 April 1985

FOREIGN TRADE AND INVESTMENT

JAPAN'S MITSUI COMPANY REPRESENTATIVE ON SINO-JAPANESE TRADE

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 9, 27 Sep 84 p 15

[Article by Yoshimitsu Kusaga, chief representative to China of Mitsui Products Corporation (Japan): "Ready To Be a Bridge of Japan-China Friendship"]

[Excerpts] Japan's comprehensive business corporations handle all types of commodities needed in society, from small items of convenience to large satellite launching equipment. A comprehensive business corporation engages not only in domestic trade but also develops import and export business through its network of branch offices all over the world. In the meanwhile, we also have to surmount increasing difficulties in mediating triangular trade.

The Mitsui Products Corp has 150 branch offices over the world and has also set up offices in Beijing, Dalian, Tianjin, Qingdao, Shanghai, Guangzhou and Shenzhen in China to engage in various forms of trade liaison activities.

We feel that the most important thing is providing information to customers swiftly and accurately.

The Mitsui Products Corp has set up a telecommunications center in Tokyo to maintain contacts with its branch offices the world over. In addition, a telecommunications center has also been set up in Beijing to keep in touch with the main office and other offices throughout the world at any time. If a telex is transmitted from Guangzhou to Sao Paulo of Brazil, it will go through the Guangzhou-Beijing-Tokyo-New York-Sao Paulo telecommunications centers and reach there in 5 minutes. Our telecommunications network which radiates in all directions swiftly and accurately provides information to our customers this way.

We feel that to expand Japanese-Chinese trade, what is most important at present is for both sides to actively and sincerely develop technical exchange activities. To this end, we exchanged a "Memorandum on Economic and Technical Cooperation" with the China Council for the Promotion of International Trade in July 1980 and actively promoted technical exchange with China. At the same time, in April this year, we again signed an "Agreement on Technical Exchange" with the Chinese Scientific and Technical

Exchange Center and carried out specific technical exchange activities. We wish that these activities will enhance trade opportunities for both sides and contribute to China's modernization program.

Although China and Japan have had contacts for over 2,000 years, all-round exchanges truly took place only after the normalization of diplomatic relations between China and Japan. Because the political and economic systems and history and customs of the two countries are different, the way people think is also different and there are language barriers. We think that the fundamental way to expand trade is to overcome these difficulties and deepen our mutual understanding. To this end, the personnel we sent to work in China on a regular basis are all capable to work with the Chinese language and the China room in our main office and the China room in the Osaka branch are also equipped with personnel who can speak Chinese.

We have been sending several research personnel to various parts of the world every year to train personnel for Japanese-Chinese trade.

At a time when Chinese and Japanese friendly contacts are strengthening, General Secretary Hu Yaobang put forward the "five stresses and four beauties" call at a Sino-Japanese people-to-people meeting: stresses on friendship, mutual benefits, good faith, decorum and discipline; and beautiful conduct, moral character, language and bearing.

We fully appreciate this call and wish that Sino-Japanese friendship and economic and trade contacts will continue to improve under the guidance of this principle.

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CSO: 4006/203

FOREIGN TRADE AND INVESTMENT

JAPAN'S NISSHO IWAI COMPANY ON ITS TRADE WITH CHINA

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 9, 27 Sep 84 p 16

[Article by Nissho Iwai Corp: "A Wish for More Intimate Japan-China Trade Contacts"]

[Excerpts] On the occasion of the 12th anniversary of the restoration of diplomatic relations between Japan and China, the entire staff of the Nissho Iwai Corp extends its best wishes to personnel of its Chinese counterpart!

Among the commodities imported from China are soybean, rapeseeds and sundry beans, frozen commodities, fodder, shrimp, fish, canned goods and pickled products. In the area of goods and material supplies are: refractory raw materials, rare earth, raw materials for papermaking, raw materials for iron smelting, copper, aluminum, antimony, metallic silicon, coal for raw material, coal for power generation, pig iron, used ships and carpets. In the energy field are: crude oil, petroleum cokes and carbon materials. In the field of fiber are: clothing, silk cloth and related products and other animal hair for raw materials, such as rabbit wool and goat hair, together with other types of light industry handicraft products.

Items exported to China include various kinds of rolled steel products, different types of special rolled steel, iron and steel products, synthetic fibers and other complete sets of chemical equipment and so forth; heavy machinery and equipment and other types of industrial machines related to the Baoshan Iron and Steel Complex; home electrical appliances, electronic instruments, ships, supplementary machinery, vehicles and various types of building material machinery; and organic and nonorganic chemical products, such as various kinds of fiber products, raw materials for chemical fibers, synthetic tree resin, farm insecticide and fertilizer connected with raw materials for chemical fibers, such as polyester plastics and acrylic.

In addition, in the field of trade mediation, we have also widely introduced to China business activities dealing with fiber, metals, grain and other commodities to promote its trade with a third country.

Besides the above-mentioned operations, we have also introduced advanced technologies in the world and at the same time actively developed work in technical transformation of factories, joint ventures and cooperative

management. With regard to loan matters between the Japanese and Chinese governments, our corporation is also cooperating with other large Japanese enterprises in developing the operations and we will continue to make efforts in this regard from now on.

Since China implemented stipulations governing the management of permanent offices of foreign enterprises in China in 1980, to develop operations, we have also established permanent representative offices in Beijing, Shanghai, Guangzhou and Dalian and another representative office was set up in Tianjin in November 1983. By sending permanent representatives and permanent personnel to these respective representative offices to make business contacts with various departments in the country, we have achieved expected results. We hope that our trade contacts with your honorable country will become more intimate and our friendly relations more consolidated from this time forward!

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CSO: 4006/203

FOREIGN TRADE AND INVESTMENT

SINO-FRG ECONOMIC COOPERATION DISCUSSED

Beijing LIAOWANG /OUTLOOK/ in Chinese No 43, 22 Oct 84 pp 7-8

/Article by Zhu Minzhi /2612 2404 0030/ and Chai Sikuan /2693 0013 1401/:
"China and FRG Intensify Economic Cooperation"/

/Text/ When Vice Premier Li Peng /2621 7720/ visited the Federal Republic of Germany /FRG/ in May of last year, the press here ran an editorial that said: "We can see that Sino-FRG cooperation is entering a new phase." In October, Premier Helmut Kohl's trip to China deepened further economic cooperation between the two countries, and pushed cooperation between the two countries in all fields to a new, higher level.

I. A New Signal

The most important result achieved during Premier Kohl's formal visit to China was the strengthening of economic and technological cooperation between the two countries. When Kohl met with Premier Zhao for the first time he indicated that he considered that visit a signal in developing a long-term, close relationship with China. He said, the FRG has many reasons for furthering close mutual relations with China, and deeper cooperation between the two countries can make a great contribution to world peace and prosperity. The FRG believes that China is a reliable partner and friend.

From the course of Kohl's visit, everyone realized that both sides have a great interest in and strong desire to strengthen economic and technological cooperation between the two countries. The FRG has highly advanced industry and technology, and has long been an important economic trading partner of China. China, which is carrying out its open door policy in the economic realm and which has an abundance of natural resources and great potential, is of strong attractiveness to the FRG.

What really drew everyone's attention was that among the persons accompanying Premier Kohl were 27 specially invited German magnates of the financial, industrial and economic circles and the heads of large corporations. Among these persons were the director of

Daimler-Benz Corporation, which has long won international acclaim, the director of the Siemens Corp, which is the world's largest electronics corporation, the director of SMS Schloemann-Sisimag AG, the world's best steel corporation, the director of the Volkswagen Corp, which is ranked fifth in the automobile industry worldwide with respect to automobile output, the well-known chairman of Deutschebank, and the director of the Mannesmann Corporate Group, the FRG's largest machine building corporation. This gathering in Beijing of representatives of such impressive German corporations was unprecedented in the history of the two countries' economic relations, and it serves to prove that they have a great desire to do business with China.

During the fourth meeting between Premier Kohl and Premier Zhao Ziyang, they made an exception and invited the representatives of these corporations to attend, and had face-to-face discussions with them about the feasibility, ways and means of developing cooperation in each economic field. The lively atmosphere of the meeting and the results it produced fully indicate the enthusiasm of the FRG's economic circles for developing economic relations with China.

During Kohl's visit to China, the two sides signed a number of cooperation agreements. In particular, the Shanghai-Volkswagen project, under joint management by the FRG's manufacturer of Santana trucks, Volkswagen Corp, and three Chinese enterprises is the two countries' largest joint venture project. It is also Volkswagen's largest joint venture in the world. This joint corporation will adopt Volkswagen's latest technology to produce "Shanghai Santana" trucks and engines, and it will have an annual production capacity of 300,000 trucks and 100,000 engines.

Both sides regard this project as a breakthrough. Vice Premier Li Peng, together with Premier Kohl, attended the groundbreaking ceremony for the Shanghai Volkswagen Automobile Corp. Before that, Shanghai's test-produced "Shanghai Santana" car underwent inspection based on international standards, and it has already reached advanced world levels.

The Germans also indicated their willingness to carry out financial cooperation with China, and set out 50 million marks in their budget for a first batch of funds for capital assistance.

II. Diversified Channels

Since the two countries established relations, Sino-FRG economic cooperation has expanded steadily. If we say that in the past few years there were some persons in FRG economic circles who went through a wait-and-see period with respect to economic cooperation between the two countries, we can now say that there are more and more persons seeking to do business with China, and the scope of economic cooperation

is getting greater and greater. When the two premiers met this time they fully confirmed that results have been achieved in Sino-FRG economic cooperation over the past few years and, furthermore, they suggested that a greater diversity of forms of cooperation be developed as cooperation is expanded.

The Chinese side welcomed the West German entrepreneurs to participate in China's energy and transportation key construction projects and the technological transformation of China's old enterprises. Not only is China willing to undertake cooperation with the FRG's large enterprises; it is also willing to cooperate with small and medium enterprises. China welcomes the development of cooperation on a greater scale between the provinces and states of the two countries, and believes that this will be a very favorable new form of cooperation. It also welcomes the German entrepreneurs to go to China's 14 advanced coastal cities to open either joint ventures of wholly-owned and operated factories. The Chinese side hopes that the FRG's entrepreneurs will invest with confidence in China, because China is very trustworthy. Its economic laws are closer to completion every day, and contracts that are signed will have legal effect.

The West German entrepreneurs accompanying Premier Kohl on his visit to China also put forth many ideas on how to develop diversified forms of cooperation between the two countries. For example, Metallgesellschaft AG of Frankfurt; Chairman Dr Dietrich Natus suggested that since the FRG lacks raw materials but has advanced technology, while China's raw materials are abundant, it would be ideal if the two sides could cooperate in the metallurgy area. The chairman of the Association of German Electrical Power Plants VDEW, Frankfurt pointed out that the two countries have already signed a nuclear cooperation agreement. This is a firm foundation upon which the two countries can undertake cooperation in the nuclear field, and the 500 small and medium enterprises belonging to the Association of German Electrical Power Plants have already agreed to a plan for technology transfer to China. Chairman Vogel of Messerschmidt-Boelkow-Blohm GmbH, which participated in the manufacture of the "Airbus" airplane, pointed out that he was willing to establish a really extensive cooperative relationship with China, wherein the two sides would cooperate in design, production, and technology transfer, and would develop together. The president of the German Chamber of Commerce and Industry Otto Wolff von Amerongen suggested that three German corporations (Krupp AG, Mannesmann, and Otto Wolff AG) are all willing to help China develop large-scale production equipment for coal resources and, moreover, are willing to transfer technology. Volkswagen Corp Chairman K. Hahn said that the corporation's cooperation with Shanghai had gone very well, exceeding original expectations. The Chinese side clearly indicated that in accordance with market demand, the output of the Shanghai car could expand further.

China's leaders and economists have indicated strong interest in the ideas regarding the expansion of cooperation put forth by the West German entrepreneurs. They especially admired West Germany's good quality and its relative openness regarding technology transfer, but they hoped that West Germany could become more price competitive.

At present, in the area of trade, West Germany is already ranked third behind Japan and the United States as one of China's main trading partners. Last year total trade between the two countries increased 25 percent, 7.8-fold more than when diplomatic relations were established in 1972. This year, the trend in increases continued, and total trade in the first half of the year increased 11.5 percent over the same period in 1983. The areas of economic cooperation between the two countries are expanding every day. According to preliminary statistics, this year the two countries have already reached several hundred agreements for joint projects, including machinery, chemicals, construction, coal, metallurgy, and light industry in the various forms of joint venture, joint manufacture, technical training and labor cooperation. The scope of S&T cooperation is also expanding, and the two sides have already gradually moved from trade in resources, general exchange of investigation visits and technical discussions to joint research, cooperation in experiments, joint exploration, technological consulting, operational meetings and research into organizational cooperation. Through Premier Kohl's visit to China, steps were taken to solidify further the diversified cooperation already developed by the two countries.

III. Long-term Stability

When Premier Kohl visited China, he and China's leaders emphasized that the development of Sino-FRG economic cooperation should be long-term and steady. Both sides believe that the two countries have fundamental conflicts of interest in the political realm, but do not have problems left over from history. Neither side poses a threat to the other. Since the establishment of relations, relations between the two countries have developed in a favorable manner. In the economic realm, China and the FRG each have their own superiorities, but they also have mutual needs and can complement one another. Just as Premier Zhao Ziyang has said: "China fully believes that cooperation with the FRG can develop on a long-term basis. This is not a one-time, expedient measure. Our two countries can become good partners in economic cooperation, but we cannot become rivals in competition. The largest developing country and an industrially and technologically advanced country can carry out long-term cooperation with significance far beyond the realm of the two countries. Cooperation not only benefits the people of the two countries, but also is beneficial to world peace and to the prosperity of the world economy."

Premier Kohl's visit occurred just on the eve of the convening of the Third Plenum of the 12th CPC Central Committee. China's leaders informed Premier Kohl that after the Third Plenum, China's cities, including industry, commerce and other fields, would undergo comprehensive reform. People all over the world will be able to see that China is courageously carrying out its four modernizations. China's open door policy is a long-term national policy, and it definitely will not change. The main targets of China's Sixth 5-year Plan have already been attained, and in 1985 we will begin implementing the Seventh 5-year Plan. During the period of the Seventh 5-year Plan, China's economy will continue to guarantee a fairly good rate of development. The scope of construction will expand even further, and China's foreign economic cooperation will expand along with it. China will strive with one heart and one mind to carry out the four modernizations. Kohl believes that China's resolute and answering implementation of the open door policy is wise. He said that through this visit he could clearly see that China's leaders' determination to implement the open door policy and to realize the country's modernization had become a matter not subject to change. He hoped that the FRG's cooperation with China would continue not only through this century but into the next century as well.

When Chairman Deng Xiaoping met with Premier Kohl he said: What makes me happy is that your visit is a good sign that marks the beginning of greater cooperation between our two countries. This cooperation will be even more concrete in the future. He hoped that cooperation between the FRG and China could mobilize cooperation between the European community and China. China needs to carry out close cooperation with a unified, collective, strong Europe.

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FOREIGN TRADE AND INVESTMENT

PRC AIMS TO IMPROVE QUALITY OF TUNG LOGS EXPORTED TO JAPAN

Beijing GUOJI MAOYI WENTI /INTERNATIONAL TRADE JOURNAL/ in Chinese No 6,
Nov-Dec 84 pp 59-60

/Article by Sun Jianguo /1327 1696 0948/ and Zhao Donghai /6392 2639 3189/:
"Discussion of Problems Concerning the Quality of China's Tung Logs Exported
to Japan"/

/Text/ In order to meet its domestic demand for furniture, Japan has to import large quantities of tung trees every year, both in the form of logs and boards. From 1970 through 1983 Japan imported a total of 238,271 cubic meters of tung logs; the yearly breakdown was 73,569 cubic meters, 36,544 cubic meters, 35,633 cubic meters, 39,863 cubic meters, and 32,662 cubic meters, respectively. Whereas these figures indicate a downward trend each year, the overall amount imported is still considerable.

There are 10 primary countries and regions in the world currently exporting tung wood to Japan, but the main suppliers of tung logs are China, the United States, Brazil, and Paraguay. These four countries accounted for 96.6 percent of Japan's imports of tung logs from 1981 to 1983. The following table provides a statistical breakdown:

(1) 单位: 出口量M², 总额千日元、平均单价日元

Year	China				United States				(6)
	(2)	(3)	(4)	(5)	(2)	(3)	(4)	(5)	
1981	18,147	50.9	1,219,673	67,211	10,477	29.4	1,324,402	126,410	35,633
1982	17,815	44.7	1,229,559	69,018	14,017	35.2	2,011,912	143,534	39,863
1983	14,216	43.5	895,959	63,024	12,280	37.6	1,785,029	145,360	32,662
Totals	50,178	46.4	3,345,191	66,666	36,774	34.0	5,121,343	139,265	108,158

Year	Brazil				Paraguay				(6)
	(2)	(3)	(4)	(5)	(2)	(3)	(4)	(5)	
1981	4,781	13.7	389,248	81,416	1,003	2.8	90,993	90,721	35,633
1982	5,158	12.9	461,006	89,377	1,680	4.2	173,937	103,534	39,863
1983	3,096	9.5	254,145	82,088	1,756	5.4	157,050	89,436	32,662
Totals	13,035	12.1	1,104,399	84,726	4,439	4.1	421,980	95,062	108,158

(7) 资料来源: 山东省土产进出口分公司

Key:

1. Units: Export volume, square meter; total export value, 1,000 yen; average unit price, yen
2. Export volume
3. Share of Japanese import market (in %)
4. Total export volume
5. Average unit price
6. Total volume of Japanese imports of tung logs
7. Source of data: Shandong Native Products Import-Export Branch Co

It is easy to see from this table that there is intense competition between China, the United States, Brazil and Paraguay in the Japanese tung log import market. China is the leader among these four countries in export volume, having a 3-year total of 50,178 square meters and supplying 46.4 percent of the market. Unfortunately, however, the total value of China's exports during these 3 years was only 3,345,191,000 yen, for an average unit price of 66,666 yen per square meter. The United States was second in export volume, totaling 36,774 square meters and accounting for 34.0 percent of the market during these 3 years. American paulownia logs, however, are excellent in quality, and thus even though U.S. export volume was 13,404 square meters less than China's, the total value of those exports greatly exceeded China's, as American tung earned a unit price that was twice the average China obtained. Brazil and Paraguay

were ranked third and fourth, respectively, but, interestingly, the unit prices they earned were higher than China's. For example, based on the exchange rate of \$1 to 234.5 yen on 29 February of this year, China's tung logs earned an average unit price of \$284.29, the United States earned \$593.88, and Brazil and Paraguay earned \$361 and \$405.38, respectively.

The above analysis indicates that Chinese tung earns a lower unit price than its American, Brazilian and Paraguayan counterparts. This lower price is due to the poor quality of the Chinese product. In all respect, our tung is inferior to its American, Brazilian and Paraguayan competitors.

To maintain the position of Chinese tung in the Japanese market, to earn more foreign exchange and, to ensure perpetual invincibility in trade competition, it is of the utmost urgency that we improve the quality of our tung. Below, we shall provide a brief survey of American, South American and Chinese tung, which we hope may serve as a reference for expanding China's tung exports.

American tung grows naturally, is 50 or more years of age at harvest time and is primarily characterized by dense growth rings, the spacing of which averages 1 cm or less, and by a very handsome grain. Due to their greater age, American tung trees are thicker in diameter and excellent in quality. Most are cut into thin sections or used for manufacturing high-quality Japanese furniture and thus the selling prices of the American product are very high. Unprocessed special grade, Grade A and Grade B logs earn unit prices of \$1,120, \$760 and \$576 per square meter, respectively. Brazilian and Paraguayan tung are cultivated on an extensive scale, and because the trees are farmed scientifically, logs are long and thick, there are very few natural flaws in the wood and little bruising due to handling, and as much as 80 percent of these logs can be cut into thin sections. However, Brazil and Paraguay are located in the tropics and thus are very hot, so the trees grow rapidly there, growth rings are sparsely spaced and the wood is soft. Chinese tung includes *P. fortunei* and *P. catalpifolia*. Henan, Shandong, Anhui and Jiangsu all produce *P. fortunei*, which is characterized by rapid growth, widely spaced growth rings and soft wood. *P. catalpifolia* is superior to *P. fortunei*, is primarily produced in Yantai Prefecture, Shandong, and is characterized by slow growth, dense rings, beautiful grain and excellent wood quality. (Surveys conducted by our Japanese customers indicate that the *P. catalpifolia* produced in Yantai is fully capable of breaking into the market dominated by American tung and of competing with that product.) Yet the primary defects in Chinese tung are bruising and natural flaws, and thus only 30-50 percent of the logs we produce can be cut into thin sections. The cause of these defects may be traced to the lack of scientific management of the trees in the postplanting stages.

Based on the above analysis and survey, we believe that the low-quality and -price problems of Chinese tung can be solved. Formulation of a comprehensive and long-term plan for tung cultivation will surely increase the quality and price and thus enhance the competitiveness of Chinese tung in the Japanese market. A \$100 increase in the unit price of the commodity would enable China to earn an additional \$1.5-million per year. We hope this problem will receive full attention from the time the leaders of the departments concerned, and we urge these departments to cooperate closely and devote attention to the following types of work.

1. A developmental direction must be formulated for tung cultivation. In view of the fact that Yantai Prefecture has traditionally cultivated *P. catalpifolia* and possesses a mass base in this work, we propose extensive cultivation of the tree in that area.

2. Foreign trade and forestry departments should work closely together. Forestry departments should perform their advisory functions more fully and provide technical guidance to the masses for the cultivation of *P. catalpifolia* so as to reduce bruising of and natural flaws in the wood.

3. The state should provide financial and material assistance to individuals engaged in tung seedling raising and tree cultivation, for example, by providing subsidies or chemical-fertilizer awards.

If relevant departments work together, cooperate closely and complete the above tasks properly, a new situation will surely emerge in *P. catalpifolia* cultivation, the quality of China's tung exports is bound to improve, unit prices will definitely rise and there is a good chance that China could earn an additional \$1.5 million in foreign exchange annually.

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CSO: 4006/455

FOREIGN TRADE AND INVESTMENT

REFORM OF CLOTHING EXPORT COMPOSITION DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 1, 27 Jan 85 pp 28-29, 14

[Article by Chi Jianwen [3069 1696 2429]: "Discussing the Problem of Reforming the Composition of Clothing Exports"]

[Text] Prior to 1977, the composition of China's clothing exports was basically impervious to external influences. The characteristics of this composition were: introverted production tendency, sales determined by actual production, trading patterns of little flexibility, seclusion from international market information. The consequences were: as evident in business management, long production cycles, low rate of contract fulfillment, large stocks of goods and poor economic results; as evident in the international market, production disjointed from marketing, products poorly adapted to requirements and weak in competitiveness. Following the Third Plenum of the 11th CPC Central Committee, a reform was effected in this type of export structure, developing exports gradually into opened-up forms.

Opened-up forms of export composition means determining production by what can be sold, linking production to marketing, adopting flexible forms of trading, orienting products toward models that are salable in the international market. The characteristics of this new export structure will be: increased suitability of designs, colors and assortments, expanded marketing territory, faster money turnover, higher economic results, and also greater inducement to improve the quality of products.

If we want to quadruple our clothing trade and achieve an export volume of \$3.2 million by the year 2000, many more reforms are needed in our export structure. In concrete terms, we must achieve new breakthroughs in our managerial organization and our product composition. If we are effective in essential and crucial reforms in these two respects, there is hope that we will be successful in our clothing exports.

How to start the reforms? It is my opinion that we must do the following:

First, as to the organizational system of administering this trade, we must establish a unison of spinning and weaving--printing and dyeing--tailoring--exporting, break down the barriers between spinning and weaving, light industry

processes and foreign trade, and organize a kind of integrated coordination of the different special lines, starting with the weaving of the cloth. In the specific pursuit of this goal, we must proceed in two steps. The first step is to be the formation of a loose combination by establishing economic associations of industry and trade on the county and municipality level, organized by the three sectors of spinning and weaving, light industries and foreign trade. However, they will not constitute an administrative organ of the first rank, and the component factories will maintain their original jurisdictional relations. The tasks of these associations will be: 1) joint conclusion and servicing of export contracts and responsibility for production arrangements and for production management; 2) establishing connections to the sources of the merchandise and implementation of plans; 3) development of new products and adapting to the demands of the export markets; 4) planning and organizing the readjustment, reorganization and technological restructuring of factories, as export needs demand. The second step must start out from the foundation of these economic associations and effect a transition to the form of joint industrial-commercial corporations. Factories whose production had only been guided in certain directions must now be turned into directly subordinated factories. If it should become difficult to separate for a time the two aspects in the production of some factories that do spinning, weaving, printing and dyeing for domestic as well as for foreign markets, and that do both types of exports, namely of shell fabric for clothing as well as piece goods, it may be permissible to adopt other methods of joint or linked operations to solve their problems. Main offices at the top level may be organized and set up on the basis of the great combination, with foreign trade taking the lead. To take advantage of the unison in dealing with foreign parties, a suitable adjustment should also be made in the division of labor concerning the different types of products. The exporting of silk cloth, down- and feather-filled garments and leather garments, which is now being undertaken separately by the silk cloth, native produce and animal byproducts and light industry corporations, should be the responsibility of one unified business entity. The joint corporations at various levels are to be economic entities combining industrial and trade activities; they have to have the status of juristic persons and will bear their own responsibility for profits and losses, but their business operations are guided and coordinated by main corporations. Proceeding in two steps seems to prolong the necessary time, but it is actually something that is inherent between reform and operations and will ensure smooth progress of the second stage of the reform work and avoid many detours. Such industrial-commercial corporations will have the following advantages: 1. Production and marketing will truly be brought into direct contact with one another. On the basis of market information, the spinning and weaving plants, the printing and dyeing plants and the garment factories will be able to quickly adapt the overall composition of their products, increase designs, colors and allotments and expand exports. 2. A system of economic responsibilities will be carried out, economic directives will be clear and definite, and there will be an integration of responsibility, authority and profit, while the internal initiative of the enterprises for the improvement of their business management will be fully aroused. 3. Links between production and marketing will be reduced, which will greatly improve work efficiency. 4. The enterprises that form part of the joint corporations will all be "well-matched" and will display strong technological superiorities and vitality.

The reform of our system of exporting garments has become imperative. Because the reform is consistent with the developmental laws governing the foreign trade and the entire national economy of China, we can foresee that following the establishment of the new management system, the enterprises will experience great developments, and that Chinese clothing exports will greatly expand.

Second, in the composition of our export products we must set up a multilevel "export-oriented" structure which shall have high economic results as its core concern and whose main content must be more fashionable clothing. Exports shall consist of a combination of high-, medium- and high-quality clothing, but shall mainly concentrate on medium- and high-quality goods.

Raising the quality of clothing and actively developing a more fashionable character in our exports is necessary because: 1. The markets for our clothing exports are concentrated 75 percent in the Western developed countries, and most of these have quota restrictions, so that it will hardly be possible to expand our exports by relying on a quantitative expansion. 2. Clothing consumption in the capitalist countries tends toward better quality, greater variety of designs and more fashionable products, which demands that we adopt a new product strategy. 3. There has been a marked improvement in the technological level of China's textile and garment industry, and the production departments are in urgent need of effecting painstaking processing of export garments. 4. Stylish clothing is in itself of high product value, creates much foreign exchange and is, therefore, profitable for the state, the enterprises and for the individuals involved.

Therefore our production strategy to achieve greater economic results and increased clothing exports, whether for the present or for the more remote future, will have to be to raise the quality of our export clothing and to actively develop more fashionable goods. However, examining the overall supply and demand situation, we also must not leave out of consideration the traditional markets in certain regions, such as the Middle and Near East, Africa and Latin America. In these areas there is a certain demand for our more popular goods and clothing of somewhat lower quality, and we must continue to keep satisfying these demands. This is of benefit for the consolidation of our marketing position in traditional markets and for full utilization of our domestic processing capacities.

What is fashionableness? The term has two connotations, one denotes the fashionable dresses of the new trend, displayed on models that seek to attract attention, that have a peculiar and eccentric look; even in the Western countries these dresses are worn by a very limited minority, and marketable quantities are extremely limited. The other connotation is that these are clothes that are popular at the time in the market; they are factory produced, that means they use appropriate cover material, they are made according to modern patterns, suitably fitted, made into modern sets with new ideas. This is the fashionableness that we want to develop. Not only is the price of such dresses high, but they can be sold in certain quantities and are, therefore, of a true trade value.

The effective export of fashionable clothing involves cover material, designing and transportation, generally referred to as the three elements of fashionable clothing, and it is precisely these three factors that show up poorly in our present endeavors. If we want to promote the development of stylish clothing, we must try with a sense of urgency to find a solution for the following problems:

1. Cover Material Is the Foundation of Fashionableness. If we want to find a fundamental solution for the problem of the drab cover material and the outmoded assortments of our clothing, we must rely on science and technology and rely on bringing forth new ideas. In our guiding ideology we must base ourselves on whatever we find in China, we must pay attention to the new technologies, employ new equipment, closely coordinate technology with production, bring the advantages of China's abundant resources in such natural fibers as cotton, wool, silk and ramie fully into play and develop new production lines with rich Chinese characteristics. However, for a moderate period of time we will still have to make up for the shortage of domestically produced cover material by importing material for processing, so as not to lose time producing stylish clothing for export.
2. Design Is the Key to Stylishness. The level of stylish design is bound up with all the factors in the designer's comprehensive capabilities, such as his attitude toward the natural environment, his habits and customs, his consumer mentality, the technical level of spinning, weaving and tailoring, and the artistic attainments of the designer. Designing is a branch of art. Since we have a poor foundation in China in this respect and are late in entering the field, and particularly also lack personnel qualified for stylish clothing designing, this presents certain difficulties for us to develop stylish clothing. Considered as an intellectual investment, we would suggest that industrial art colleges should add the field of garment designing as a special field of instruction and train highly qualified designing personnel, so as to strengthen our work of designing stylish clothing. Under the present conditions, we may first adopt the method of "transplantation," and produce according to patterns and samples received from abroad. We may also establish contractual relations with famous foreign factories, famous designers and famous garment companies, and thus, by means of cooperative business operations, cooperative production, technology transfers, etc., directly absorb the experiences of European, American and other countries in the designing of stylish clothing. By simultaneous production and training of designers, we could in a period of study learn and also work out the laws of designing stylish garments.
3. Transportation is Key Factor in Stylishness. Stylishness is closely related to the time factor. The "in vogue" time lasts at best only about half a year. If certain stylish clothing is produced and not promptly introduced into the market, it may miss its marketing season and become cheap merchandise. The transportation of stylish clothing can, therefore, not be treated in the same way as general clothing material. At present the following means of transportation should be used: 1. Launch simultaneous

transportation by a variety of means, expand the sphere of air transportation. From cities without airline connections, shipments may be made through Hong Kong by means of air to air, sea to air or land to air transshipments. 2. Using the railway system that bridges the continent and ship the merchandise in large containers directly to the cities of Western Europe and to other countries. 3. Utilize the small ships at the coastal ports for fast shipments to Hong Kong or Japan.

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FOREIGN TRADE AND INVESTMENT

GUANGXI LEADER SAYS NO 'BIG WAR' WILL BE FOUGHT

HK020102 Beijing ZHONGGUO XINWEN SHE in Chinese 1502 GMT 1 Apr 85

["Wei Chunshu Says, Guangxi Will Not Fight a Big War, so Foreign and Hong Kong Businessmen Can Come To Invest and Run Enterprises With Minds at Ease"
--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 1 Apr (ZHONGGUO XINWEN SHE)--Wei Chunshu, chairman of the Guangzhi Zhuang Autonomous Regional People's Government, who is currently attending the Third Session of the Sixth NPC, said when interviewed by our reporter that Guangxi will not fight a big war, so foreign, overseas Chinese, and Hong Kong businessmen can come to invest and run enterprises with minds at ease.

Wei Chunshu said that although Guangxi instituted an open-door policy later than Guangdong and Fujian, progress has been satisfactory. Guangxi has formulated a whole series of policies for giving preferential treatment to investors. Contracts signed by the region last year involved a total of over \$400 million. This year businessmen from various countries such as Japan, the United States, Canada, and Singapore have come to Guangxi to discuss investment projects. However, not many businessmen have come from Hong Kong. According to our information, they have misgivings about investing in Guangxi: First, they fear that Guangxi will fight a war; second, they fear that Guangxi has not thoroughly dealt with the problems left over from the Cultural Revolution and that there are still people of three categories in power; third, they are worried about Guangxi being a minority-nationality region with backward culture and a lack of management talent. In fact, these worries are unnecessary.

Wei Chunshu then expounded on each of these questions. He said that it is true that the Vietnamese authorities are ambitious and the Vietnamese army is continually harassing daily life in the border area. However, Vietnam is best beset by many domestic difficulties and has no strength for large-scale aggression against China. Even if they really launch a massive incursion, our border defense units will be able to withstand it and will certainly be capable of repulsing the invading enemies near the border. Vietnamese harassment will not therefore have a major impact on Guangxi's economic construction and production as a whole. A very good proof of this

is that Sino-foreign joint ventures have consistently developed smoothly in recent years. On the question of handling problems left over from the Cultural Revolution, and especially weeding out beaters, smashers, and looters, Quangxi has acted with great resolution and thoroughness. Beginning in the first half of last year, Guangxi has carried out a major readjustment of the leadership groups at all levels, and all those members verified as people of three categories have been dealt with; not one is left in power now. It should be said that the leadership groups at all levels in Guangxi are unified in thinking and staunch in carrying out the central authorities' policy on opening up and reforming. It is by no means accurate to say that Guangxi is culturally backward. Guangxi now has over 20 universities and colleges producing large numbers of graduates every year. All sectors and trades are being gradually strengthened with talented managers and technical cadres, and the region's management standards, scientific research, and technical strengthen are being continually enhanced.

Wei Chushu said in conclusion that at present Guangxi has formulated plans for exploiting energy sources and constructing communications, transport, and telecommunications facilities, and these plans are now being gradually implemented. Work is proceeding rapidly on the Nanning-Fangcheng railroad, and the section from Nanning to Qinzhou will be completed and opened to traffic this year. The Qinzhou-Fangcheng port section can be completed and reopened by the end of next year. After, we have decided to build a railroad from Fangcheng to Beihai; and work will start in May on constructing Beihai airport and the 10,000-ton wharf. Several large hydroelectric projects in which the state has invested and the Dahua Hydroelectric Station can be completed and put into operation this year. Arrangements have been made for the region's telecommunications facilities. It can be predicted that after a few years will be relatively great improvement in Guangxi's energy supplies, communications, telecommunications, and so on. Guangxi is preparing to convene an international economic and technical cooperation meeting in Guilin at the end of April, and foreign, overseas Chinese, and Hong Kong businessmen are welcome to participate.

CSO: 4006/516

22 April 1985

FOREIGN TRADE AND INVESTMENT

QINGHAI GOVERNOR SPEAKS ON DEVELOPING TOURISM

HK030926 Xining Qinghai Provincial Service in Mandarin 1100 GMT 2 Apr 85

[Excerpts] On 26 March, at the first provincial conference on tourism work, Huang Jingbo, provincial CPC committee secretary and provincial governor, delivered a speech entitled "Unify Our Thinking, Strengthen Our Leadership, Be Resolved To Carry out Reforms, and Vigorously Develop the Province's Tourism."

He said: Developing tourism is very important to the province' economic construction. Tourism can promote ties and friendship between people of different countries so that people of all circles at home and abroad can have a better understanding of Qinghai and know Qinghai's abundant natural resources, thereby laying down a foundation for bringing in and using foreign funds. Developing the province's tourism can also increase our income to promote the development of other trades.

Comrade Huang Jingbo said: Qinghai has an appeal to both Chinese and foreign tourists. The key to developing tourism is whether tourism facilities can be developed very quickly. The province is now building and planning to build some large hotels. In addition, we encourage collectives and individuals to build a number of medium or second-class hotels and guesthouses with a distinctive national style and local features so as to meet the needs of various tourists.

He said: Communications is an important factor in developing tourism. Air, railway, and highway transportation must serve tourism. It is necessary to grasp the building of roads in inaccessible tourism spots so as to ensure their completion in the near future. Postal and telecommunications departments must grasp the work of building a full set of postal and telecommunications equipment so as to provide conveniences to tourists.

The governor stated: All localities must be resolved and exert great efforts to exploit the resources of Qinghai's tourism industry. It is necessary to speed up reform of the province's tourism industry and build all tourism units into independent economic entities which assume sole responsibility for their own profits and losses.

He demanded that government and propaganda departments at all levels should strengthen foreign propaganda work to attract more tourists and give Qinghai a great appeal.

CSO: 4006/516

FOREIGN TRADE AND INVESTMENT

GUANGDONG'S FOSHAN TO DEVELOP ECONOMIC ZONE

OW030612 Beijing XINHUA in English 0254 GMT 3 Apr 85

[Text] Beijing, 3 Apr (XINHUA)--Guangdong's Foshan city will develop its rural areas into an economic zone serving Hong Kong, Macao and Southeast Asia market, according to the INTERNATIONAL BUSINESS newspaper.

The zone, in the heart of the Pearl River delta with a population of 3.55 million, will develop a combination of trade, industry and agriculture.

The Foshan city government will cancel mandatory crop growing plans and purchasing quotas, so that peasants can produce according to international market demand.

In other words, peasants now can use their land, funds and labor in any way they think best.

In the next two or three years, more than 33,000 hectares of paddy fields will be given over to cash crops, the paper added. Efforts will also be made to develop production of aquatic products, fruit, lean pork, grazing animals and flowers.

The countryside around Foshan turned out non-agricultural products worth 3.9 billion yuan in 1984.

Of that total, 70 percent, of 2.72 billion yuan, was produced by rural factories.

More than half the peasants in Foshan have shifted from farming to industry, trade and sideline production, the paper said.

CSO: 4020/172

FOREIGN TRADE AND INVESTMENT

GUANGXI OFFERS PREFERENTIAL TREATMENT TO INVESTORS

HK051344 Nanning Guangxi Regional Service in Mandarin 1130 GMT 4 Apr 85

[Text] In order to attract fraternal provinces and cities to expedite the development of the region's natural resources and the technical transformation of the region's enterprises by means of their capital and technology and to invigorate the region's economy, the regional people's government has recently approved regulations on preferential treatment for developing economic and technological cooperation. The region will offer the best conditions and provide the best services to any fraternal province or city which invests in the region's undertakings, such as importing technology, production, circulation or the service industry.

On importing capital from other places in China, the region has adopted the following preferential treatment in the regulations:

Whenever one imports capital, establishes enterprises, or technically transforms the region's enterprises, he will not be subject to the limits of fixed assets investment scale assigned by the state.

Whenever one invests in the region, runs factories and mines, or technically transforms the region's enterprises, his investment will be listed in the region's development plan. In addition, the region will subsidize part of the means of production. The region will actively provide the site, laborers, power supply, and relevant law materials. The region will also give priority to relevant design work, construction work, local supply of building materials, and additional allocations of land. In the case of a sole proprietorship, the proprietor will own all products and profits. In the case of a joint venture, the parties concerned will share the products and profits according to their agreed ratio.

If a person is granted loans by the region for investing in or jointly running enterprises or institutions, he may repay the loans first and then deliver income taxes after his business starts operations. If the project is funded by other sources, the region may exempt them from income taxes for 1 to 3 years in the light of actual conditions. Further exemptions may be granted by the region in later years if the situation requires.

For an investor who develops energy resources communications, or badly needed raw materials; processes the three wastes; develops old, remote, mountainous and poor areas; deals in agriculture or the breeding industry; or runs mines and enterprises that bring good social benefits but only small profits, or needs some time before bringing about any return, the region may reduce his goods taxes or value added taxes or exempt him from them.

The regulations also offer preferential treatment to investors in terms of the length of compensation trade contracts, and the sales of products made by jointly-run enterprises.

CSO: 4006/516

FOREIGN TRADE AND INVESTMENT

BRIEFS

TOURISM INSTITUTE IN BEIJING--Beijing, 4 Apr (XINHUA)--A tourist institute of the Beijing Joint University was inaugurated here today. The institute has the guide and tourist management departments with three specialities of the English guide, Japanese guide and hotel management. More specialities including accounting and cuisine will be added soon. In addition to four-year courses, it will open two-year advanced training courses and a three-year evening school for in-service personnel. There are nearly 100 teachers. Foreign experts and teachers from other colleges and universities in Beijing will be invited as part-time teachers of the institute. The institute's predecessor was the branch of the Beijing No 2 Foreign Languages Institute. Since 1980 the branch has trained 530 people for the tourist industry. Beijing's tourist industry has grown rapidly over the past few years. Its 30 travel services received 600,000 Chinese and foreign tourists in 1984 alone. [Text] [Beijing XINHUA in English 1904 GMT 4 Apr 85 OW]

JAPAN-PRC JOINT VENTURES ASSOCIATION--Tokyo, 28 Mar (XINHUA)--The Association for Promoting Japan-China Joint Ventures, one more organization for promoting friendly economic cooperation between the two nations, was set up here today. Eihiro Uchida and Imai Keimei were appointed head and deputy head respectively of the association. Eiichi Uchida was made managing director. Eihiro Uchida told reporters that the association stood for friendship, peace and economic cooperation in the spirit of the treaty of peace and friendship between the two nations. At present, the specific task of the association is to transmit information between medium- and small-sized enterprises of Japan and China, help trade negotiations and encourage the undertaking of joint ventures, Uchida said. [Text] [Beijing XINHUA in English 1901 GMT 28 Mar 85 OW]

ETHNIC REGIONS SEEK FOREIGN BUSINESS--Beijing, 26 Mar (XINHUA)--China's autonomous regions are seeking more foreign business, the State Nationalities Affairs Commission said here today. Commission financial department head Batu told XINHUA the State Council had approved Xinjiang to trade directly with Kazakhstan and Kirghizia over the Soviet border. Erenhot in Inner Mongolia will raise development funds by inviting foreign investment, especially in coal mining, he said, and Tibet will expand trade with Nepal. Batu promised freer foreign and border trade and reduced or waived taxes. He urged these backward areas to capitalize actively on local advantages rather than rely solely on central government subsidies. [Text] [Beijing XINHUA in English 1436 GMT 26 Mar 85 OW]

YUNNAN, BURMA INCREASED TRADE--According to a Yunnan radio report, Zhenkang and two other counties in Lincang Prefecture, Yunnan Province, bordering on Burma, have relaxed their trade policy to expand their border trade. In the second half of last year, these three counties registered over 3.5-fold increases respectively in both import and export volumes in the border trade, compared with the first half of the year. During January and February this year, the import volume showed a 75 percent increase, and the export volume a more than 80 percent increase over the same period last year. [Text]
[Beijing Domestic Service in Mandarin 1200 GMT 20 Mar 85 OW]

CSO: 4006/516

SPECIAL ECONOMIC ZONES

SPECIAL ECONOMIC ZONE CHIEF DEFINES FIVE IMPORT TABOOS

Beijing LIAOWANG /OUTLOOK/ in Chinese, No 34 20 Aug 84 pp 13-15

/Article by Yu De /0060 1795/: "The Foresight and Sagacity of a Man of Action--
Third of a Series of the Shekou Letters"/

/Text/ This is the last of a series of letters, as my tour of Shekou will soon
come to an end.

A comrade of the Industrial District said to me: "The best way for you to
understand Yuan Geng /5913 1649/ is to take heed of what he says."

There are however very few such chances, because Yuan Geng is a man of action
who seldom makes speeches or statements to the outside world, and he has even
intentionally set up "defenses" to guard against the press. He has constantly
advised the comrades around him with a statement on the "four kinds of people."
He said: "There are four kinds of people in the world: the first just talk
without doing anything; the second talk and then get things done; the third get
things done first and talk later; the fourth get things done without saying a
word. We would rather get things done without even saying a word than just
talk and do nothing. Talking cannot solve the problems in China today, for
the solution lies in working with our feet planted on solid ground and in
working out achievements of our own."

Fortunately an opportunity showed up eventually--an economic development seminar
was being held in Shenzhen, with the participation of representatives from 14
coastal cities. Yuan Geng presented an introduction to the experience of
developing the Shekou Industrial District and answered questions set forth by
the representatives. I listened to this speech of Yuan Geng with a feeling
that it was indeed a rich reservoir of profound knowledge and penetrating
insight. Therefore, here in this letter, I would like to present to you a
number of questions in connection with the policy of opening doors to the out-
side world. Presented below are questions and Yuan Geng's answers to the
relevant issues.

Seven Days of Seclusion in the Mounts, a Thousand Years of Progress in the World

/Question/ In implementation of the central authorities' open door policy,
what are the major issues that ought to be solved at the present time?

/Answer/ It is to go one step forward in emancipating ideology and in grasping world trends.

After our party's seizure of political power in the whole country, as a result of various factors, we placed ourselves in a situation of seclusion from the outside world for a long period of 30 years, and so the people know very little of events taking place in the world. Once contacts have been established with the outside world, we do really feel that "during our only 7 days of seclusion in the mountains, the world has progress 1,000 years." Other people are beginning to march into the era of the "cybernetic society"!

I was working in the oceangoing transport service in Hong Kong, which in my profession meant transportation. Years ago, in the early days of my arrival in Hong Kong, I was profoundly shocked to see the entire shipping industry in a deep recession. What was the cause of it? It was that the iron and steel industry was becoming a "sunset industry," that light alloy metals and plastics and glass were replacing heavy iron and steel, thereby causing a sharp decline in transport of metallic ores, coal, iron and steel. Many shipowners were at a loss, not knowing what to do. The output of iron and steel had been a principal yardstick for measuring whether a country was advanced or not, but before long, with the passage of time, the iron and steel industry turned out to be a "sunset industry." Many people in the shipping industry did not anticipate that the world could have developed so fast.

Developments in other scientific and technological fields have made even greater giant strides. In energy resources, the era of a world widely using energy produced by nuclear fission to replace other energy resources is imminent; the birth of the spaceflight industry makes it possible for mankind to leave earth and fly around the solar system; marine engineering has become a new and developing industry; and in particular an era of cybernization represented by electronic computers has arrived....

Already we have isolated ourselves from the world for many years, and we have lagged behind seriously in ideology. Therefore, after ending the situation of our long-term seclusion from the world and after finalizing our policy of opening doors to the outside world, we definitely must dare to come into contact with all sorts of things that have taken place or are taking place in the world.

Three years ago, I invited a foreign professor of psychology to give lectures at our training class. During recess a student asked: Why should a bourgeois scholar be invited to disseminate the theory of idealism? As a matter of fact, some scholars of the Western countries have merged human behavior science into economic management science, in which one sees an aspect of idealism, yet from which one draws experience that can be used. We should have the courage to let our cadres come into contact with theories and schools that have departed from the classics and rebelled against orthodoxy, thereby making it possible for us to absorb their good qualities and avoid their shortcomings, to broaden our horizons, and to see clearly the world situation. Today are we not sending out a large number of students to foreign countries for advanced education? And are they not hearing other people preach all these things in foreign countries? What is so disastrous about that? If all these things are considered totally unhealthy to be heard, then it is not necessary to send students out for advanced education.

Naturally, when we open our windows to let fresh air come in, some poisonous gas and germs of all descriptions will inevitably flow in, but there is nothing to be afraid of. We have penicillin and antibiotics of all kinds to cope with them. After the various coastal cities have opened their doors to the outside world, we must make contacts with foreign businessmen constantly. If this ideological problem is not solved, unification of cognizance will become impossible, a series of controversies and difficulties arising from within our ranks will appear, and many concrete issues will remain unsettled.

Two Main Bodies of Development and Five Import Taboos

/Question/ What are the basic policies and principles the Shekou Industrial District has firmly adhered to in construction and import of foreign capital?

/Answer/ A general guiding ideology is to act according to economic laws. In addition, this is an industrial zone which, as its name implies, takes industry as a main body. Rendering services to industry are commerce, tourism, and other service trades, which adapt their development to the industrial development. We are also aware of the high profits of commerce. There are people advocating a huge investment of funds and cadres in commerce. Nevertheless, the ultimate decision is that industry remains a main body, which is accompanied by an appropriate development of other trades and industries, yet which is not geared to the building of a consumer city. For, if industry is not developed, there will be no genuine economic prosperity. The other main body is export, which is a major source of support for all our industrial products.

In addition to these two main bodies, we have five import taboos: First, we do not engage in processing of imported materials; second, we do not engage in compensatory trade; third, we do not engage in import of factories that create unmanageable pollution, because we want to be responsible to the coming generations; fourth, we do not engage in import of obsolete machinery and equipment; fifth, we do not engage in import of products competing with China's foreign trade for quotas after they are exported. Engaging in any of these may have some benefits, but it is not appropriate to the overall interests of the state, since the situation as a whole has to be taken into account. Practices over the years have shown that these principles are essential and applicable. The various localities, after careful consideration, might as well take these principles for reference.

Do Not Intervene in the Internal Work of Enterprises

/Question/ How should Chinese-foreign joint venture enterprises and foreign-owned enterprises be managed?

/Answer/ Because we ourselves are precisely an enterprise, we make contacts with foreign firms on an enterprise-to-enterprise basis. In management, we do not use administrative orders in areas ranging from all wharfs and harbors to each and every factory, including joint-venture factories, foreign-owned factories, and our own factories. Here I am acting concurrently as a party committee secretary, but I would have difficulty getting into a factory for a visit, if I did not phone in advance to obtain their consent. Does this not mean that the capitalists here are being allowed to seek hegemony and to lord it over others? Certainly not. This is a place still under socialist leadership

and socialist control. It is a place governed by the constitution of China and the decrees of a special economic zone, a place where everybody must have his passport checked first before coming in, where everything in your bags should be registered and inspected. If you want to hire workers, you must come to me and have contracts signed, and you are also required to comply with relevant trade union stipulations. All your factory equipment as well as the situation of your fire prevention and pollution must go through my investigation and examination. The imported machines must machines must not be allowed to come in. One must also act in compliance with the concrete clauses and provisions of the agreements signed by both sides in connection with imports. This indicates that China's legal system and its various regulations remain in control. And this certainly is management! As to the concrete operations in their factories, why should you poke your nose in? They have not violated the law. In China, administrative intervention in enterprises has been going on too long, and this should no longer be allowed to go on as it is.

Of Utmost Importance Is Winning the Confidence of Traders

/Question/ What is the best way of attracting foreign capital?

/Answer/ It is hard to answer this question in a few words. The most important thing, however, is to stand by one's credit and reputation. "A man who does not abide by his credit and reputation goes nowhere." A government or an enterprise that does not live up to its credit and reputation also has no future. The China Merchant Steam Navigation Corp did not have good credit and reputation before, but in recent years it has established good credit and reputation, because we have implemented--even to the point of acting against our will and clenching our teeth at taking up losses discovered subsequently--all the contracts that are in black and white bearing our signatures. As of today, no signed contracts have ever been scrapped. It is for this reason that the Shanghai-Hongkong Banking Corp has taken the lead in advocating among international banks that: whenever the China Merchant Steam Navigation Corp needs loans, including credits of all types, first there will be no guarantees required, second there will be no questions asked about how the loan is to be used, and third there will be no questions raised as to how many years are to be set for the loans. This banking corporation has proposed that a bilateral agreement be reached with us. Today 10 international banks have proposed to enter into negotiations with us: you may overdraw any time you want, and there will be an implementation of the aforementioned "three-no" proposition. Therefore, in the course of luring in foreign capital and at the time of negotiating agreement provisions, it is definitely not permissible to act in a slapdash manner, to be afraid of going into heated arguments, and to okay everything amidst the clinking of wine glasses. Contracts and agreements, once signed, should not be scrapped under any circumstance. They ought to be carried into effect, even if we are taken in because of carelessness. Otherwise, as long as there is but one scrapping, you will lose your creditworthiness. Over the years, we have moved consistently along this line. For this reason, today when investors from Hong Kong and foreign countries are talking about the China Merchant Steam Navigation Corp, they still believe that this corporation is trustworthy.

In Business Management We Must Learn From the Strong Points of the Various Countries

/Question/ A special zone is a "window of management." What is the management level of the Shekou Industrial District's imported enterprises?

/Answer/ It's multifarious, numerous and varied. It is a combination of ingredients of the United States, West Europe, Japan, Southeast Asia, and Hong Kong, which differ in management levels and distinctive features, yet which are like a hundred flowers blooming simultaneously, each having its strong points. We feel that Japanese management is still comparatively better, and that indeed they are very well versed in the art of management. For example, last year when a typhoon was hitting the hardest, all the factory workers had nothing to eat, but workers of the Japanese Sanyo Factory were provided with meals. In an airtight vehicle the factory boss delivered to each and every household in the dormitories bread, beef, and drink. They have also kept the age and birthday of each worker recorded in computers, so that the manager knows right away in his office whose birthday it is today, and off he goes to the worker, carrying a piece of chocolate wrapped in red paper to express congratulations to him. One sees here that the science of human behavior is being applied to business administration, and used as a means of studying the relationship between "sense of satisfaction" and working efficiency and of reflecting this relationship in charts and graphs. It has always been an important content of our political work to be concerned with the wellbeing of the masses. In the War of Liberation and in the War of Resisting U.S. Aggression and Aiding Korea, we were able to defeat our powerful enemies, precisely because by relying on political work and by boosting morale we had charged and shattered enemy positions truly in the interests of hundreds of millions of people.

In business administration, we must learn simultaneously from the strong points of the various countries. In terms of inheriting the philosophy of the East, the people of Japan have something in common with us, but it has nothing in common with business administration of the West. There is in them a touch of human feelings of the East, from which we could derive things useful to us.

Learning To Use Funds and Loans

/Question/ Please say a few words about the experience of using bank loans and funds.

/Answer/ Making good use of bank loans and revolving funds is an important branch of learning. The comrades administering special zones and development zones and the comrades running enterprises should master this branch of learning. Some comrades managing money matters, however, have not paid adequate attention to this. I was in Hong Kong more than 5 years ago. The first thing I did after arriving at Hong Kong was that I spent HK\$60 million on the purchase of a building. First payment to the seller was HK\$20 million. Both sides agreed at the time to meet Friday afternoon at 3 pm in a lawyer's office, where we were to accomplish the transaction with one side handing out cash and the other side turning over the merchandise (title deed for the building). When the day came, we went there with a check for HK\$20 million, and the other side also

showed up in a group of several persons. From upstairs I looked out and saw their car parking down below with the engine still running. After the two sides had closed the deal and signed papers, the other side left behind one person to continue talks with us on unfinished matters, but all the other people instantly went downstairs with the check for HK\$20 million, got into their car and departed at top speed for the bank, where they turned the money in. It was all because the next day was Saturday, a day banks when close in the afternoon, and on Sunday banks remain closed; so if the check were not deposited in the bank by Friday afternoon, there would be a loss of interest for 3 days. The floating interest rate at the time was 14 percent, and this would add up to thousands of HK dollars in a 3-day interest payment for HK\$20 million. Our financial cadre was with them that day, and he came back to report to me that the scene of racing against time was a very touching one. Our comrades are indifferent to such a matter, because they just do not have this concept.

This was my first lesson in Hong Kong. The next thing I did was to examine and investigate ourselves. The China Merchant Steam Navigation Corp had a large number of staff and workers. The investigation, when completed, brought to light the fact that a substantial amount of funds was tied up in the hands of many of the staff, and yet they still borrowed money from banks and paid a large amount of interest. As a matter of fact, when a revolving fund passes through your hands, you are given an opportunity to make use of the fund, and the longer the fund stays, the more opportunities you have for using the fund. It was for this reason that we decided to consolidate. As a result of consolidation, money kept flowing in. And it was not without reason that I set forth a slogan--"Time is money." Somebody said this was a bourgeois slogan. In point of fact, I was not the creator of this slogan. Since time immemorial China has had this saying. "An inch of time is worth an inch of gold, but an inch of gold cannot hold back an inch of time." This saying weighs heavier than mine. It is not that time is money, but that time more precious than money.

Avoid Mechanically Copying Certain Patterns

/Question/ Please say a few words about how the "Shekou Pattern" is being applied in the coastal cities.

/Answer/ You have come to Shekou, probably with a hope of bringing back from here a certain "pattern." You will be disappointed, if you think along this line. For there is no fixed "pattern" in this place, and the possibility of copying a pattern mechanically does not exist. It would be disastrous to copy mechanically. In this we have learned many historical lessons. Similarly, if on your way home you think of taking away from Shekou something that has already been accomplished here, I can tell you that would be impossible too. Either in establishing an economic development zone or in restructuring an old enterprise, it is essential to start on the basis of one's own conditions, such as geographical position, industrial structure, funding sources, etc. All these conditions vary from place to place. For example, Shenzhen, as a special economic zone cherished by all, has developed very rapidly. Nevertheless, I wonder if you are aware of the fact that there have been 60,000 people coming in and going out of this zone every day--27,000 people from Hong Kong and 33,000

people from the various inland provinces, notably from Guangdong Province, thus making this zone a link between Hong Kong and the inland provinces. In Ningbo, Wenzhou, Fuzhou and other places, can one also apply the Shekou practices of constructing tall buildings, engaging in the real estate industry, and running businesses? Do all those areas have similar condition? Do they have this geographical superiority? These are questions worthy of a profound study. Shekou, as a seaport bordering Hong Kong and Macao, has its own peculiar superiorities. Therefore, in studying Shenzhen and Shekou, please do not forget the peculiar conditions of the two places. Certainly, we do not have the superiorities that you have in your own areas, such superiorities as huge industrial enterprises, a vast number of men of talent and solid resources. It is impossible to depart from specific conditions and talk about concrete practices.

It goes without saying that there we do have a few things to merit your attention. For example, we act in accordance with economic laws, employ economic means to run economy, and implement a principle of providing the "five services of navigation, transportation, water supply, power supply, communication." All this is worth doing. Nevertheless, we dare not say that the road we have embarked on will have a 100 percent chance of success, for there are still many unpredictable factors, and some of the difficulties cannot be overcome by one individual enterprise. It is true that roads, in the inspiring words of Luxun, are built by men walking over them. We are ready to surmount difficulties and march on, but the role we are now playing--most likely when our car is overturned--may remind you that this is a dead end! If this road really leads to somewhere, it is also necessary to study and find out how it works, but just do not copy the experience mechanically. Naturally, if in the future you do need us for services, we shall definitely "render you our faithful services."
/End of interview/

This is just how the saying goes: "Listening to what you say is better than reading for 10 years." I think that this frank, penetrating and eloquent statement of Yuan Geng not merely benefits implementation of the open door policy of the central authorities, but enlightens our general economic work as well!

Now, to conclude my correspondence, let me quote from the comments of Xu Zhiming /6079 2535 2494/, an advisor to the Industrial Zone, one of the "pioneers" of the Shekou Industrial Zone.

To me Xu Zhiming said: "Yuan Geng is a faithful executor of the open door policy of the central authorities, an initiator of reform, and a selfless Communist Party member." He added: "I am now 61 years old, a victim of three diseases--heart disease, diabetes and arthritis. Even if well fed without having to do anything, I will not settle for 1 penny less. I am, however, still working more than 10 hours a day. This is due, more or less, to the influence of Comrade Yuan Geng. He is older than I am, but he works on and on in disregard of his own life, not acting like a man who is already 66 years of age. Whenever we talk about this matter, we would say jokingly: 'He who works for Yuan Geng is an ill-fated guy!' This man is very resolute and decisive, sometimes extremely impetuous, but you have to show understanding and sympathy for him, for he is indeed anxious! Our days are numbered, and we always think of getting some more work done, so that in the future we could go to Karl Marx with a better work report."

SPECIAL ECONOMIC ZONES

RENMIN RIBAO ON 'WINDOW' ROLE OF SPECIAL ZONES

HK140342 Beijing RENMIN RIBAO in Chinese 8 Mar 85 p 5

[Article by Liang Wensen [2733 2429 2773]: "The Role of the Special Economic Zones as 'Windows'"]

[Text] In our country's special economic zones, four main principles are being implemented: Funds should mainly come from abroad; the main economic form should be state capitalism; products should mainly be used for export; and economic activities should mainly be regulated by the market mechanisms. Under these conditions, the role of the special economic zones has become greater and more obvious. Comrade Deng Xiaoping once described the role of the special economic zones as a "four-purpose window." He said: "The special economic zones form a window--a window for technology, a window for knowledge, a window for management, and a window for our foreign policy. A "window" is a vivid metaphor. The window enables people to look both inside and outside. The experience of the Shenzhen Special Economic Zone over the past 5 years shows that the special economic zones have indeed played the "window" role in the four aspects.

First, the role as a "window for technology." The Shenzhen Special Economic Zone is adjacent to Hong Kong and has convenient access to all useful information, so it is easier for it to introduce advanced foreign technology. Over the past more than 4 years the special economic zone has introduced quite a lot of advanced technologies, some of which have been used to fill the technological gaps in our country. This has not only helped develop the productive forces and enhanced the technological level of the special economic zone, but has also created the necessary material conditions for technological transformation and equipment renewal in other parts of the country and for transferring technology from the eastern part of our country to the western part. That is to say, the technological progress in the special economic zone has promoted technological progress in other parts of the country. The more advanced technology the special economic zone introduces from abroad and the more successful this introduction is, the quicker and better the process of technological modernization in our country will become, and the more effectively the special economic zone will act as a "window for technology." This role of the "window for technology" is not only reflected in the access to the information about the new technological developments in other countries, but is also reflected in the practical activities of introducing and

absorbing advanced technologies from abroad and of innovating and popularizing these technologies. All this provides scientific foundations for all relevant quarters in the country to formulate new technological policies and to introduce advanced technologies. Therefore, this "window for technology" constitutes an important part of our country's technological policy.

Second, the role as a "window for knowledge." Knowledge is the wealth created and accumulated by all mankind in practice, and should also be shared by all mankind and serve all mankind. Each country or each nation has its own strong points as well as its shortcomings, and should learn from others' strong points to make up for their own weak points. Marxists hold that without absorbing the useful cultural knowledge of the bourgeoisie, we will not be able to succeed in building communism and in realizing socialist modernization. How to grasp and apply the knowledge of other nations for the purpose of our nation is also an important issue. If we take a close-door policy and separate ourselves from the outside world because of our conceit, we will only certainly lag far behind other countries in development.

The establishment of special economic zones which carry out an open-door policy provides excellent opportunities and convenient places for absorbing all useful knowledge from abroad, including scientific, economic, management, production, and social knowledge. Through this "window" we will more quickly acquire, command, and utilize all useful knowledge that is applicable to our country and will really "make foreign things serve China's purposes."

The special economic zone can play its role as a window for knowledge in various ways. For example, introducing foreign capital and technology to build new factories and hotels; holding international fairs to exhibit and sell new products; holding all kinds of technical seminars, international academic symposiums, and cultural exchange meetings; establishing universities solely run by overseas Chinese or run on a basis of cooperation so as to train all kinds of talented people for economic development; and establishing scientific estates like "Silicon Valley" in the United States so as to conduct exchanges of knowledge at a high level.

Acting as a "window for knowledge," the special economic zone will certainly procure manifold advantages. First, it will absorb diverse and useful knowledge from abroad, and this knowledge is not limited to economic knowledge; second, it will train a large number of talented people in all fields in the course of studying and acquiring knowledge about advanced foreign technology and management skills; and third, through its economic practice it will have direct access to the latest information about the world markets and will be able to rapidly transfer this information to other parts of the country. Therefore, the special economic zone's role as a "window for knowledge" is of great significance in many aspects.

Third, the role as a "window for management." In the past 20 years and more, the economic efficiency of enterprises in our country has been very low, and this state of affairs has not been fundamentally changed so far. An important reason for this is the backwardness of our management system and the methods and means of management. Therefore, when we embark on reform of the

economic structure, if we fail to adopt a scientific management system and advanced methods and means of management, the improvement of the economic efficiency of the enterprises and the enlivening of the economy will all be empty talk. In this regard, we should use the advanced management methods and modern management means of other countries for reference.

Then, how should we introduce the advanced methods and means of management of other countries? Of course, all parts of the country can make such an introduction, but the special economic zone is undoubtedly an ideal medium for this work. It can introduce advanced and scientific management means and methods mainly in two forms--inviting managerial experts to work in the special economic zone or sending Chinese managerial personnel to work in foreign companies. In the former form, foreign companies are invited to open factories and other businesses in the special economic zone in the following two ways: 1) They can be involved in joint ventures or cooperation projects which are jointly managed by the foreign companies and their Chinese partners. The foreign companies can hire managers, factory directors, and other management personnel (including technical personnel) from foreign countries or from Hong Kong and Macao to manage the factories and enterprises, and 2) they can run the enterprise on the basis of their sole investment. These enterprises will be managed completely by the foreign companies, and our Chinese technical and managerial personnel and other staff hired by the foreign companies will be able to learn advanced management means and methods in the course of their work. In the latter form, the Chinese enterprises involved in foreign economic activities directly dispatch their personnel to study the advanced management methods and means on the spot in the foreign enterprises. Some scientific management methods introduced by the special economic zone through the above two channels may be transferred to other parts of the country. Therefore, acting as a "window for management," the special economic zone will play a far-reaching role, and constitutes an important measure for enhancing the management level of the enterprises in our country in an all-round way, improving their economic results, and speeding up production development.

Fourth, the role as a "window for our foreign policy." According to the spirit of the party central leadership and the State Council's instructions that "the special economic zone can adopt systems and policies that are different from those in other parts of the country" and that "the special economic zone should explore new ways for the whole nation's socialist economic construction and structural reform," the special economic zone is also playing a leading role in implementing the open-door policy and in carrying out structural reform. It has provided and will continue to provide useful experience for other parts of the country. In this sense, the special economic zone is also a "window for reform" and a "window for showing our foreign policy."

The foreign policy of our country includes economic, political, cultural, and diplomatic matters. The special economic zone should surely carry out our country's foreign policy in all fields. The special economic zone

should not only carry out the general principles of the open-door policy like other areas of the country, but should also have its own special measures for carrying out the open-door policy. For example, such measures as the utilization of foreign funds, the introduction of foreign technology, the running of undertakings involved in foreign economic activities, the marketing of products on both domestic and international markets, the adoption of the new labor and wage system, the enactment of the tax law, the promotion of insurance, the regulations for affairs concerning foreign exchange, currency, and banking, and the preferential treatment for foreign investment are all first carried out by the special economic zone on trial. The practice of the special economic zone can solve such questions as whether these policies are correct, whether the interests of all parties concerned have been taken into consideration, whether the policies can be carried out easily, whether the legislation and regulations that embody our foreign policy are perfect and sound, and what should be revised and amended. Acting as the "window for showing our foreign policy," the special economic zone in fact can enable foreigners to see the genuine effect of the serious of special policies adopted by the special economic zone, and this may make them believe that all these policies are not merely empty talk and expedients but are long-term policies and thus may make them rest assured when making investment.

Through its practice in recent years, the special economic zones, especially that in Shenzhen, have made themselves well-known to the world. In overseas areas goes such a saying: "Taiwan will see what is going on in Hong Kong; and Hong Kong will see what is going on in Shenzhen." Why has the Shenzhen Special Economic Zone, which is a tiny area of some 300 square kilometers, become so noticeable? One reason is that many people in Hong Kong regard the situation in the special economic zones, especially that in Shenzhen, as the "barometer" of China's open-door policy; and many people in the world regard the special economic zones as the sample of China's open-door policy. The image of the Shenzhen Special Economic Zone has become the newest sign of confidence in the minds of Hong Kong businessmen. They think that "as long as capitalist enterprises are allowed to exist in Shenzhen, there should be no worry in Hong Kong."

The role of the special economic zones as the "four-purpose window" will become greater and more obvious along with the development of the special economic zones. Practice has shown that the development of the special economic zones in our country has been successful. The open-door policy is a basic national policy which will be in effect for a long time.

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SPECIAL ECONOMIC ZONES

SHENZHEN 'CONTROL LINE' INSPECTED, COMPLETED

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[Text] Shenzhen, 13 Mar (XINHUA)--A control line separating the Shenzhen Special Economic Zone from the rest of the mainland has been completed.

This means that the flow of people and goods between them will have to pass through customs control when it is eventually put into use.

A state committee today completed the procedure of inspecting and accepting the newly constructed facilities that form the control line.

According to the committee, overseas investors entering and leaving Shenzhen via Hong Kong will not pay tariffs on goods and consumer items for personal use, except for cigarettes, liquor and cosmetics. Exports from Shenzhen will be duty free.

The move is aimed at providing better investment environment and make it easier to implement the flexible policies designed for the zone, said Wang Deying, head of the committee and vice-minister of the State Planning Commission.

The proper authorities pointed out that the control line is not one of administrative division. The Shenzhen Special Economic Zone is under the jurisdiction of the Guangdong provincial government.

It is learned that the date on the line's official opening will be announced by the State Council when the conditions are ripe. The nation's legislative body will promulgate related customs control regulations concerning the flow of personnel between the zone and the other parts of the country.

Since 1982, central and local authorities have spent 135 million yuan on the control line, which includes 86 kilometers of roads around the zone, six customs offices and frontier check-points and communications facilities.

Shenzhen, the largest of China's four special economic zones, covers 327.5 kilometers and borders on Hong Kong.

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22 April 1985

SPECIAL ECONOMIC ZONES

LIANG XIANG ON SHENZHEN'S ECONOMIC PROGRESS, PLANS

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[Report by reporter Yin Zhonghui [1438 1813 1920]: "Liang Xiang Says That Per-Capita Gross Income of Shenzhen Has Exceeded U.S.\$1,000"]

[Text] Beijing, 28 Mar (XINHUA)--Liang Xiang, deputy to the Sixth NPC and mayor of Shenzhen City, said that in 1984 the per-capita gross income of Shenzhen exceeded U.S.\$1,000.

After listening to Premier Zhao Ziyang's government work report, Liang Xiang told reporters while speaking about the situation of the Shenzhen Special Economic Zone that, pushed forward by the state's implementation of the policy of further opening to the outside world and conducting the reform of the economic structure, the Shenzhen Special Zone has made continuous progress in its construction. In 1984 the gross output value of the city reached over 1.95 billion yuan, 51 percent higher than that in 1983. Financial revenues reached 500 million yuan, 67 percent over that of 1983. There was also a relatively big increase in the actual investment and area completed in capital construction and in the retail volume of social commodities. The export and entreport trade also developed rapidly. At present, the economy of the special zone is gradually developing into an outward-looking type of economy.

Liang Xiang said that last year, Shenzhen imported a number of major and relatively advanced technological items with an investment of over U.S.\$1.5 million each. In addition, two foreign banks and 32 foreign financial groups set up offices in Shenzhen. Last year 870 agreements were signed with foreign businessmen on using foreign capital. The volume of investment of these agreements amounted to U.S.\$650 million, of which U.S.\$220 million was spent, a 50 percent increase over that in 1983. Eighty percent of these items are industrial items.

Liang Xiang said that with the efforts of the past few years, the investment environment in the special zone is improving day by day. To date, the special zone has opened up four industrial zones and has basically completed the basic facilities for the new urban area covering 30 square kilometers. Traffic and telecommunications have also greatly improved. Much progress has also been made in economic cooperation with the hinterland. To date the number of economic projects with the hinterland has reached 296, thus strengthening the industry of the special zone.

He said that all enterprises founded by foreign businessmen have shown relatively good economic results. Over 100 such enterprises have been put into operation, and most of them have shown very good economic results. The confidence of foreign businessmen in running enterprises is increasing all the time.

Speaking about work in 1985, Liang Xiang said that the Shenzhen special zone will concentrate its efforts on those things, that is, the reform of the financial structure and the use and management of the special zone demarcation line. "With the satisfactory fulfillment of these two tasks, the Shenzhen special zone will have taken another leap forward."

Liang Xiang pointed out that of the various reforms in Shenzhen, the most important is the reform of the financial structure. Centering round this reform, various service centers such as financial, trade, advisory, information, and technological service centers gradually will be set up. The reform of the planning and pricing systems will also be carried out resolutely and prudently and the role of the market mechanism will be given full play. Government departments will exercise management of the economy mainly by means of economic levers, economic supervision, and legislation.

Liang Xiang said that with the work of the past 2 years or more, various major facilities of the Shenzhen special zone demarcation line have been completed and preparatory work for using the line has also been completed. The demarcation line will be officially put into use as soon as the approval of the State Council is obtained.

Liang Xiang stressed that the construction, use, and management of the special zone demarcation line will further improve the environment for investment in the special zone. It will provide an effective guarantee and fine conditions for the implementation of various preferential policies and for foreign businessmen to invest in the special zone. It will also effectively prevent large-scale smuggling activities. He said that we will adhere to the principle of "being strict but not rigid, and simplified but not chaotic" in strengthening management, simplifying procedures, and gradually lifting restrictions, and will do a good job in this respect. At the same time, we will strengthen legislative work and resolutely oppose various unhealthy trends.

Speaking about the economic development plan of the Shenzhen special zone in 1985, Liang Xiang said that the gross output value this year is planned to reach 2.94 billion yuan, 50 percent over that of last year. The total industrial output value is planned to reach 2.6 billion yuan and that of agriculture 220 million yuan. An area of 3 million square meters in capital construction is planned to be completed. Exports, financial revenue, and other aspects will also have a relatively big increase over last year.

Liang Xiang said that the policy for the development of the Shenzhen special zone in future is: depending on the hinterland, serving the modernization

program, being geared to Hong Kong and Macao, and advancing toward the world. He explained that Shenzhen should make full use of the favorable conditions for opening to the outside world; depend on the industrial foundation, scientific and technological forces, and resources of the hinterland; import foreign capital, technology, information, and personnel; develop new industries and transform traditional industries; accelerate the development of power sources and readjust the layout and structure of agriculture according to the principle of "trade, industry, and agriculture"; energetically develop foreign trade; and made great efforts to develop the tertiary industry so that the special zone will gradually become a real window of the technology, knowledge, management and foreign policies; a hub for domestic and international communications, and a trade center where thousands of businessmen gather.

CSO: 4006/516

SPECIAL ECONOMIC ZONES

MAYOR COMMENTS ON SHENZHEN ECONOMY, ZHAO REPORT

OW291116 Beijing XINHUA in English 1053 GMT 29 Mar 85

[Text] Beijing, 29 Mar (XINHUA)--Average annual income for residents in Shenzhen, China's first special economic zone (SEZ), exceeded 2,800 yuan in 1984, Mayor Liang Xiang said here today. This was almost five times the national average of 608 yuan for urban residents last year, he said in an interview with XINHUA.

Liang, a deputy to the Sixth National People's Congress, was here attending the current third session of the congress. Commenting on Premier Zhao Ziyang's remarks about the success of the open policy in his report to the NPC session, Liang said Shenzhen's rapid progress last year was a case in point.

Shenzhen SEZ's total industrial and agricultural output exceeded 1.99 billion yuan in 1984, a 51 percent increase over 1983, he said. Total industrial output came to 1.8 billion yuan, up 150 percent, and total farm output was 190 million yuan, up 28 percent. Covering some 330 square kilometers with a population of 170,000, the Shenzhen SEZ was established in 1980 around a small town adjacent to Hong Kong.

Liang said that last year the zone set up a number of large and technologically advanced projects involving imported equipment. Investment for each came to at least 1.5 million U.S. dollars. Two foreign banks and 32 foreign consortiums established representative offices in the city in 1984.

The Shenzhen SEZ concluded 870 agreements with foreign firms last year, with total investment of 650 million U.S. dollars of which 220 million was put to use, a 50 percent rise over 1983, he said. The total number of agreements concluded by Shenzhen from the time of its establishment to the end of 1984 was 3,382, with a combined investment of roughly 2.3 billion U.S. dollars, Liang said. Foreign partners came from over 50 countries and regions including the United States, Japan, Britain, Australia, Singapore, Thailand and Denmark, he added.

To provide better conditions for investment, Liang said, the zone had built four industrial parks, completed infrastructure facilities for a new city area of 30 square kilometers, improved transport and telecommunication services, and passed new laws and regulations.

Enterprises using foreign investment had yielded fairly good returns, he said.

Most of the over 100 factories built with foreign funds were doing quite well, a fact which had increased the confidence of foreign firms considering business connections there, the mayor said.

He listed reform of the banking system as a major task of Shenzhen's economic restructuring this year. Centers provided banking, trading, consulting, information and technological services would be set up in the near future, he added.

Another important task was improving management of the cordon separating the zone from the rest of the mainland, Liang said. All people and goods crossing the cordon would have to go through customs procedures when it was put into operation, he explained. Construction of all facilities including roads, customs offices and check-points had been completed, he said. The cordon would help guarantee the implementation of policies providing preferential treatment and favorable conditions for foreign investors, he added.

CSO: 4020/172

SPECIAL ECONOMIC ZONES

ECONOMIC ZONE OFFICE CHIEF REPORTS DEVELOPMENTS

OW011754 Beijing XINHUA in English 1535 GMT 1 Apr 85

[Text] Beijing, 1 Apr (XINHUA)--A basic environment for foreign investment has been established in China's four special economic zones, He Chunlin, director of the State Council's Special Economic Zone (SEZ) Office said here today.

At a press conference for Hong Kong and Macao correspondents now here covering the sessions of National People's Congress and the Chinese people's political consultative conference, he said the four zones had signed a total of 4,700 contracts on investments of four billion U.S. dollars by the end of last year. Of that total, 840 million U.S. dollars were already in use, he added.

The Shenzhen Special Zone registered an industrial output value of 1.3 billion yuan last year, 20 times higher than in 1979. Shenzhen also recorded earnings of 450 million yuan in 1984, up 10.6 times in the same period.

According to He, China's 14 open coastal cities absorbed as much foreign capital last year as in the previous five years put together.

China would persist in opening up to the outside world, because it could not achieve progress without links with other countries, he said.

Efforts were being made to plan technical import programs for the 14 cities. Special stress would be given to water supply, electricity, transport, telecommunications and other capital construction projects.

Port facilities, air and railway services and telephone networks would be improved, and new airports built at Wenzhou in Zhejiang Province and Beihai in Guangxi, he added.

More than 40 laws or decrees had been issued relating to foreign economic relations in the last few years, and this legislation would be rendered more and more explicit.

China's opening to foreign trade would offer brighter prospects for the prosperity of Hong Kong, and the territory would play a still more important role in the nation's economic construction, he said.

On moves to issue a new currency in the SEZ's, he said the purpose was to perfect currency management to draw more foreign capital, and to eliminate the coexistence of three currencies and three price levels in the zones.

"However, this question is very complicated. The Chinese People's Bank is studying how and when to issue such a currency. So far, no decisions have been made," he added.

The SEZ currency would be tested in Shenzhen before it was used in the three other zones, he said.

CSO: 4020/172

LABOR AND WAGES

SURPLUS RURAL LABOR UTILIZATION DESCRIBED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO [JOURNAL OF SHANXI FINANCE AND ECONOMICS COLLEGE] in Chinese No 6, Dec 84 pp 10-11

[Article by Guo Shougui [6753 1343 6311]: "Tentative Exploration of Present Rural Surplus Labor Outlets"]

[Text] Along with great developments in agricultural production, groups of specialized and key agricultural households have sprung up and agricultural production has been gradually changed into a small number of farming experts. Blind population increases were formerly concealed by inefficient "big pottism" and the problem of labor "surpluses" has not only been exposed but is acutely facing us. Solving this problem will have an important bearing on utilizing China's labor resources, vigorously developing the productive forces, rapidly developing agricultural production, ensuring social stability and building a socialism with distinctive Chinese characteristics based on China's national conditions.

This article will try to discuss some simple views on this problem.

I. A Survey of Present Rural Labor Surpluses

So-called rural surplus labor refers to rural labor which is engaged in trades other than agricultural planting and breeding and is relative surplus labor. Peasants regard agriculture as the "base" and rural labor which is unable to be used by the "base" is relative surplus labor. China has a population of 1 billion, over 800 million peasants and over 200 million rural workers. Although agricultural development needs an input of a definite number of workers, it does not necessarily need this many. We thus speak of relative surpluses, on one hand, and say that rural labor resilience is very great, on the other. Agricultural production was inefficient a few years ago, workers were still not able to make one-fifth of a yuan a day and some able-bodied workers were closed out, not to speak of the old, weak, sick and disabled. But due to the party's relaxed policies, a diversified economy now exists, peasants can get rich through many channels, subsidiary workers play their proper roles and there is of course clearly "more" labor than there was a few years ago. It is thus clear that rural labor surpluses are relative, are relative to the "big-pottism" and "the more people the greater the power" of a few years ago and are only in relation to the condition of a small number of people.

Direct labor increases and improvements in labor productivity are both directly related to surpluses of rural labor productive forces. For instance, the small 250-person village of Xumiao in Shandong Province's Juancheng County has an average surplus labor force of 20 people (constituting 40 percent of the total labor force). This figure should attract the attention of concerned departments.

These surplus workers are now seeking or have found outlets. But quite a few surplus workers are still hesitating at occupational crossroads. Based on the requirements of national principles and policies and the needs of national construction, guiding these workers who have not yet found an outlet or are hesitating and encouraging them to turn to other production or service trades and to fully develop their intelligence and wisdom is thus a pressing task in solving our rural surplus labor problem.

II. Where Are the Rural Surplus Labor Outlets?

Due to the limitations of China's present economic conditions and production standards, rural surplus labor cannot, of course, be allowed to enter state factories nor can the state coordinate and arrange for their employment; we can only rely on national principles and policies, state guidance and the special responsibility of higher level concerned departments to enable all workers to seek their own outlets according to their abilities. Based on China's present economic development conditions and the strategic duties, goals and priorities proposed by the 12th CPC Central Committee Congress and through the employment practice and experience of some workers, I think that rural surplus labor can be principally invested in the following trades:

1. Construction Trades: Along with the development of China's modernization, construction projects have been increasing and the existing state and collective construction project ranks are far from being able to adapt to urban and rural construction needs; this requires a definite increase in construction personnel and some increase in the small-scale construction ranks. Small-scale construction ranks have advantages, such as being flexible and convenient, being on call at any hour and being able to finish work quickly and with good quality. Thus, investing some surplus labor in construction trades is a way to solve the problem of rural surplus labor. Concerned departments must give permission and support to peasants in organizing their own construction ranks or in cooperating with urban construction ranks and in small town or urban contract construction projects or even trans-county, -city or -province construction. This method can partially solve the surplus labor problem without large investments and all ordinary workers are able to engage in it. Not only can ordinary year-in-year-out surplus workers join this trade but temporary and seasonal surplus labor can also join the construction ranks and those who do temporary work for a few days may not be able to do "skilled labor" but can do "unskilled labor." This will be favorable in increasing peasant income and better satisfying urban and rural construction needs. Sending peasants from Juancheng County's Fenghuang Township to the northeast to work in construction has solved these workers' employment problems and increased their income over 700 yuan per person.

2. Transportation Trades: China's transportation trades are very unsuited to the needs of our construction and our people's standard of living, and our transport capacity is seriously inadequate and even limits production development and goods and materials exchange. The 12th Party Congress of the CPC has thus regarded transportation as a strategic priority of our present stage of struggle. This requires that we enliven transportation and permit peasants to engage in individual transportation or joint transportation with other units or individuals and to assume responsibility for their own profits or losses. Peasants should be permitted to use transportation tools, such as rickshaws, animal-drawn carts, wood junks and cars, to engage in short-, medium- or long-range traffic; this can solve some rural labor employment problems, counteract national transport capacity weaknesses, regulate commodity surpluses and deficiencies, invigorate urban and rural markets and make things convenient for the masses.

3. Industrial Sideline Trades: Peasants engaging in processing trades can process and transform their own agricultural products and then sell them to the state or freely sell them at country fairs; this suits the natural characteristics of agricultural products and avoids transporting without processing or classification and the occurrence of accidents, such as susceptibility to deterioration or losses on the market, which cannot increase peasant income. The state should as much as possible give work such as commodity processing, classification and inventory to peasants. When peasants run plants processing agricultural products, male, female, young and old can all participate and they will "leave the land but not the countryside" and "enter factories but not cities." Based on local resources, peasants in Shandong Province's Changle County have run local blast furnaces, flour-processing plants, small-scale candy factories and electric bandsaw plants and have appropriately solved their rural surplus labor problems. In addition, households have raised hogs, rabbits, chickens, bees and earthworms, woven carpets, baskets and wastebaskets and contracted to make gloves and bicycle seats for other units; they have fully used rural surplus labor, used their leisure time, increased their income and developed commodity production.

4. Commerce and Service Trades: Commerce and service trades are both labor-intensive trades and in the present vigorous development of commodity production, state-run and collective employment cannot satisfy urban and rural people's diversified material, cultural and livelihood needs. Engaging in these trades can develop the peasants' respective specialties and satisfy the peoples' labor needs by the operation of restaurants or by haircutting and sewing; it can reduce some people's housework, realize the socialization of housework and, more importantly, absorb more labor.

5. The (Courtyard) Economy: The courtyard economy is a recently developed rural economic form. It fully utilizes (courtyards), develops planting and breeding trades and fully uses labor. It can specially accommodate part of the old, weak, sick and disabled to participate in work within their power and increase income. Peasants of the Badayu Production Brigade

in Shandong Province's Mengyin County used the courtyard economy to raise grapes, fruit trees and earthworms. Their income topped 80,000 yuan in 1983 and this was a good way to effectively use rural surplus labor.

In summary, in order to realize the four modernizations by the end of the century, all trades and especially those of a labor-intensive type, such as commerce and service trades, urgently need to suitably increase their labor forces. We have said that rural surplus labor is relative; in the present vigorous development of industrial and agricultural production, the key to the rural labor force having scope to display its abilities is our need to get a clear understanding of the situation and based on the requirements of national principles and policies, to direct the rational movement of labor and invest "surplus" labor in places (trades) where it is most needed.

12267

CSO: 4006/354

LABOR AND WAGES

CHANGES IN CRITERIA FOR MODEL WORKER SELECTION DISCUSSED

Beijing GONGREN RIBAO in Chinese 12 Jan 85 p 1

[Article by reporter Xi Renzhong [1776 0086 0112]: "Three Changes Have Emerged in Choosing Model Workers Through Public Appraisal in Beijing Municipality"]

[Text] Beijing, 17 January--Three changes have appeared in Beijing municipality in choosing municipal-level model workers through public appraisal for 1984, changing from purely choosing the "diligent and conscientious type" to the "type that goes after reform and development," from choosing with workers as the key to giving equal importance to intellectuals and workers, and from choosing the "intellectual type" to the "physical and intellectual combined type."

The main requirements for choosing model workers through public appraisal in Beijing municipality this time are those who march in the van of reform and are brave in pioneering and have achieved outstanding results. A pertinent comrade of the Beijing municipal federation of trade unions told this reporter that while the spirit of the "old ox" of arduous struggle and selfless labor is praiseworthy, that is not enough. We should inspire creative labor to bring up efficiency and improve quality, painstakingly study and master scientific and technical knowledge and be brave in renovation and creating and in arduous struggle to become both an "old ox" and a "winged steed." In line with this spirit, the Beijing industrial, transport and capital construction fronts have initially chosen more than 1,000 municipal-level model workers for 1984. Xu Xiaochun [1776 1321 4783], manager of the Beijing printing and dyeing plant; and Ma Ruiqing [7456 3843 0615], party committee secretary of the Shoudu iron and steel plant; by boldly leading the workers and staff members to engage in reform, have brought forth vitality to the enterprises and raised economic results. They have been nominated for selection as the city model workers. Gao Rongshan [7559 2837 1472], director of the machinery section of the Beijing municipal No 3 construction company, has employed numerous means to reform operations and management and achieved good results and the amount of profits delivered by the section to the state quadrupled in 3 years. If Gao Rongshan was judged according to the old concept used in the past, he would be assessed as a man of many shortcomings such as "loving to hold on to his own view" and "insubordination" making it difficult to be chosen as a model worker. However, this time a great majority of workers and staff members who assessed with a new insight had unanimously elected him city model worker.

For many years, among the model workers chosen in Beijing municipality, most of them were workers, the situation this year has greatly changed. Among the model workers chosen initially throughout the city, intellectuals have accounted for about 40 percent. This shows that the role played by the broad masses of intellectuals in the four modernizations has been thought of highly. The type of model workers has also been shifted from the "physical type" to the "intellectual type" and the "physical and intellectual combined type." Worker Lin Baoling [2651 0202 7881] of the Beijing chemical plant who persisted in studying courses of institutes for high learning on his own and painstakingly studied modern chemical technology, last year succeeded in reforming the process of oil-solvent color developing agent for color movie film thus creating a wealth of 450,000 yuan for the state in 5 months. He was unanimously selected model worker of Beijing municipality this time.

12662

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TRANSPORTATION

YUNNAN ACHIEVES RESULTS IN HIGHWAY CONSTRUCTION

Kunming YUNNAN RIBAO in Chinese 16 Aug 84 p 1

[Article: "Highways and Transportation Achieve Notable Results"]

[Text] In the 35 years since the PRC was founded, Yunnan has rapidly developed its highway communication and transportation. In the first half of this year Yunnan had over 46,230 kilometers of highway (excluding the over 21,000 kms of rural highway not listed in the national statistics), being 5.6 times greater than 1949 and giving Yunnan fourth place in the country on the basis of highway mileage. All of the counties in Yunnan, over 97 percent of prefectures and about 60 percent of villages are accessible by highways.

In old China the highway linking Kunming with Huangtupo was begun in 1921. Not until 1927 were only 47.8 kilometers completed. Before liberation Yunnan had only 2,783 kilometers of highway that were open to traffic. After liberation, communication improved significantly through the concern of the CPC Central Committee and the State Council and under the leadership of party committees at all levels, as well as through the joint efforts of all minority people and those working on the communication front. In Xishuangbanna and Simao, the movement of material supplies traditionally depended on human carriers and horseback traveling from Xishuangbanna, Fuyun and Jinghun to Kunming, caravans had to follow the old couriers' routes across dense forests and deep ravines, often requiring about 2 months for a round trip. Because communications were poor and commodity production undeveloped, "an old hen could only be exchanged for a needle." The masses lived in extreme poverty. The Kunming-Daluo Highway which was completed in 1954 has become the only road link between the frontier and the hinterland.

Along with the new highway construction project, technical transformation of some trunk lines has contributed to better traffic conditions and more pronounced economical results. Most sections of the Kunming-Wanding Highway were formerly unclassified. However, restoration work undertaken by sections since the late 1950's brought 96.6 percent of it to the standard above the 4th grade. Altogether 7,154 kilometers of asphalt-paved highway have been completed in the province.

12661
CSO: 4006/5A

TRANSPORTATION

MODERNIZATION OF HIGHWAY TRANSPORTATION URGED

Beijing GONGLU [HIGHWAY] in Chinese No 10, 25 Oct 84 pp 1-3

[Article by Pan Qi [3382 3825]: "Management Science and Modernization of Highway Transportation--A Talk Delivered at the Electronic Computer Study Group of Guizhou Province"]

[Text] In his political report to the 12th CPC Congress, Comrade Hu Yaobang clearly and definitely pointed out: "We must strengthen research and application of the science of economics and of management science, continuously raise the level of planning and management in our national economy and the level of management in the business operations of our enterprises." Practice has proven that economics and management science are both extremely important not only with regard to the quality of business management in a microeconomic sense, but even more so for policy decisions in the sphere of macroeconomics. If the achievements of modern management science are ignored or no aptitude is shown for its absorption or application, it will be impossible to realize our four modernization projects.

In the 35 years since the establishment of New China, highway transportation, in the same way as our other fronts, has accomplished tremendous achievements. This is beyond doubt, however, if we ask: Have we found the way for the modernization of our highways? Have we realized on the highway transportation front the policy decision of the 12th CPC Congress of treating transportation as one of the focal strategic concerns? Have we implemented the directives of the leading comrades of our central authority, who have repeatedly pointed out that highways are the "roads to people's prosperity" and that we must attach importance to roadbuilding rather than yield to a onesided "infatuation with railways"? Have these directives actually been carried out? I am afraid the answers cannot all be positive. One of the most important reasons is that we ignored or did not show ourselves capable of applying modern management science, had not been able to use, in some respects even acted contrary to the rules of economics.

For instance, in the last 20 years we have taken highway transportation as a matter of "local traffic" and included it in the "19 non-industrial production sectors," designating highway transportation as in the same category as culture, education and public health (these remarks are not meant to belittle the importance of culture, education and public health, but to say only that they

have different functions and roles to play in the system of social division of labor and must not be lumped together). Not only does this run counter to the minimum of elementary economic knowledge but it will also lead to confusion in management and errors in actual work that will have extremely serious consequences. Taking Shandong as example, in this system of planning, Shandong Province, with a population of over 70 million people and a large territory of over 150,000 sq km, was allocated an investment for highway purposes of 12 million yuan in 1972, which was reduced to 11 million in 1973 and turned into zero in 1980!

Viewed from the angle of management science, the above policy decisions also run counter to a minimum knowledge of systems theory. Let me ask: since highway transportation is a system fundamentally different from culture, education and public health, how can they be combined and lumped together in this way? It is precisely the same with the digestive system, blood circulation system and nervous system in the human body that must not be jumbled together.

And again, how did the so-called "infatuation with railways" come about? For quite a long period of time, waterways were not fully utilized; no factory construction was located along rivers, they were only separately linked up with railway lines. There was no place for waterways, and railway construction reigned more and more supreme. A railway line was thought to solve all transportation problems, and there was a fundamental disregard and underestimation of the significance of highway transportation. In the end everybody clamored for railway construction, but railway construction is a lengthy process, requiring large investments, while the state had only limited funds available, so that the "infatuation with railways" had frequently to remain an "unrequited love affair," which could not provide a genuine solution for the growing intensity of the transportation problem.

The "infatuation with railways" runs counter to the rules of economics. It is an outstanding manifestation of handling affairs contrary to the developmental laws of transportation economics. Many years of practice and research in China and abroad have all fully proven that railways are best suited for the transportation of large quantities of commodities over long distances, that water transportation under certain conditions is the most economical form of transportation, but that highway transportation, because of its well-known mobility, flexibility, expediency, speed and as a "door-to-door" facility, has an enormous advantage for transportation over medium or short distances. Air transportation is too costly, therefore only suitable for passenger transportation and materials that have to be moved fast over long distances. Pipeline transportation is only suitable for liquids. Each form of transportation has its particular technological and economic characteristics and its sphere of rational applications and limitations. Only by considering their varying particular characteristics and developing them in a division of labor, cooperation and coordination can overall favorable economic results be achieved and can the development of the national economy be promoted. However, as the result of the "infatuation with railways," the harmonious development of the different forms of transportation has become impossible, in fact the railways, quite unreasonably, undertake about 25 percent of all transportation over distances of less than 100 km. The result is not only that all other forms of transportation are stymied in their

development, but that the railways themselves are prevented from fully asserting their superiority.

Viewed from the angle of management science, the "infatuation with railways" runs counter to the principles of cybernetics. Because transportation is a large system, it is made up of the five forms of transportation as its subsidiary systems or elements. Each transportation form needs a system of controls and regulation. If we study and handle so complex a problem as transportation without the viewpoint and methods of cybernetics, it will lead of necessity to dislocations in our transportation affairs, internally and externally, it will retard our communications and is bound to end up creating a passive overall situation in our strategic key undertaking!

We have also often heard it said: "Expressways are inconsistent with China's national conditions." Others made some remarks like: "Highways are only cement, pebbles and manpower; there is no need here for a policy of opening up to the outside world and no need to take up foreign loans." Is this really true?

"Expressways are inconsistent with China's national conditions"--people who hold this view are precisely indicating that they do not understand China's national conditions. Taking Shenzhen as example, before 1979 when we implemented the policy of opening up to the outside world and established the special zone, there were only 300 motorcars in Shenzhen. In the short time of 5 years, in 1984, the number of cars in Shenzhen had risen to 15,000. All these cars were squeezing along a few narrow roads. Speed was slow, accidents became numerous and it reached a stage where it became imperative to build expressways. How much more compelling will the situation be in 1997 when sovereignty over Hong Kong will be recovered. By that time the number of cars will have greatly increased, and it will indeed be the failure to build expressways that will be inconsistent with China's national conditions!

"Highways are nothing but cement, pebbles and manpower; there is therefore no need to take up foreign loans or open up for foreign contacts"?--This argument actually reveals lack of fundamental knowledge. Don't they realize that a large number of the world's countries, including such advanced countries as Japan, have utilized foreign capital to build highways and thereby imparted a vigorous promotion to their economies. This is also the way our province of Taiwan built the first expressway in China. Why should it then not be permissible to utilize foreign capital for highway construction in the PRC on the 9.6 million sq km of territory on the mainland, and why should we not adopt a policy of opening up to the outside world? Can the policy of opening up to the outside world, adopted by the central authorities, only be applied in the case of railways?

Viewed from the angle of management science, our comrades who hold the above views do not understand information theory. The world is large, and conditions are always changing. If economic construction is undertaken without the timely availability of a huge amount of ever changing information, we would be groping in the dark and be unable to arrive at accurate policy decisions. As to examples of expressways, Japan, which is a country of only 370,000 sq km of territory,

also an island with a population of only 100 million, has already 3,000 km of expressways and is preparing to expand them to 10,000 km. The United States with an area of 9.36 million sq km and a population of 200 million has 70,000 km of expressways. On the other hand, can China--not including the province of Taiwan--allow itself to be without expressways on the mainland? On second thought, there are 100 and a few scores of free ports and free trade zones in the world, and each has its expressway, because otherwise it would be impossible to establish a free port or free trade zone. China now has 4 special economic zones, 14 new places are now being opened up and adding to is the island of Hainan, makes 19 in all. All these places are suffocating with car traffic; would failure to build expressways be inconsistent with China's national condition?

The above examples make it clear that strengthening research and application of economics and management science is of highest importance and utmost urgency for the development of our communications undertakings! If we go on neglecting research and applications in these fields, we can say with assurance: truly finding a way for the modernization of China's highway transportation, carrying out the policy decision of the 12th CPC Congress of making traffic (including highways) a key strategic concern and implementing the directive of our leading comrades of the central authority to build broad, smooth and direct highways and not to lapse into the "infatuation with railways," all these things would become impossible!

The application of systems, theory cybernetics and information theory are indispensable parts of the modernization of management. In view of the historical experiences of 35 years and the future needs of the four modernization projects, we see an urgent demand to use the viewpoint and methods of systems theory to cope with and resolve the problems of China's traffic. The systems viewpoint is the viewpoint of considering the entire situation, to see the parts from an overall viewpoint, to study the relations between part and part and to accurately deal with the relationship between the parts and between the whole and its parts. This is a prerequisite for the accurate solution of problems. A systematic method is a comprehensive and dialectical method; using systems theory is therefore an important transformation of the ideological method and work method; doing without this transformation would contravene economics and management science and would in the end incur losses and penalties.

Managing communications according to the viewpoint of systems theory is then also connected with information and control, because it would be impossible to effect systematic management without information, and management cannot be separated from control. In short, viewed from the angle of scientific management, every trade and every enterprise, as well as the higher authorities in charge of them, all have a management information system (MIS), namely management, information and systems. Since we now have electronic computers, we are able not only to modernize management, but also, as in the Soviet Union, to call the management information system by means of electronic computers an automatic management system. The primary purpose of the management information system is its collecting, handling and producing information to provide materials for policy decisions. In the past all this work had to rely on manpower, everyone had to rely on notebooks to record all the various kinds of information and to

rely on meetings and the exchange of documents for the exchange and disposition of information, which was the fundamental reason for the "mountains of documents and oceans of meetings" as an inevitable consequence of a handicraft-style management. However, this is now different, as all this work can now be left to computers to perform. This is the natural trend in the development of management science and management modernization. It is therefore suggested to set up as soon as possible a special computer course at the Highway College.

The management information systems required by different categories of enterprises and leading economic organs are different. For instance, the constantly widening application of the research achievements of various branches of science concerned with the systems theory, cybernetics and information theory, has led, in the management information system, to the establishment of various mathematical models for the effective handling of information. Information has become the nerve system of management engineering. Socialist countries are even better able to combine the management information systems of the various departments, localities and enterprises into one network and utilize it to accurately draw up economic development programs and plans, supervise and evaluate the implementation of the plans and to effect controls over the economic development and routine regulation of the various trades, industries, enterprises and localities, thus achieving excellence in economic policy decisions and work progress. Proceeding in this way will not only enable us to avoid running into the problems and abuses mentioned earlier, but will also have actual significance of the highest importance in enabling the socialist system to fully assert its superiority, in accelerating the pace of our four modernization drives and in promoting our traffic and transportation undertakings. During the last 2 or more years, I have already explored and experimented with the development of the management information system. Although I could not go on in my first effort due to various subjective and objective difficulties and obstacles, I was able to make a good start in my second effort and to achieve certain results, with financial assistance from abroad. I fully believe that this developmental work meets the needs of our four modernization drives and will certainly lead to success. Now I furthermore believe: if we can organize all men of insight and high ambitions among our highway circles, especially comrades proficient in computer knowledge and management science, to establish a management information system in our highway traffic system, we can be successful in utilizing management science to ensure the scientific orientation and excellence of policy decisions and routine management of our highway traffic work. If we really can do that, we will indeed be able to find the road to the modernization of our highway traffic, able to implement the series of important directives on traffic work issued by our leading comrades in the central authority and also able to definitely realize the strategic objectives of economic and social nature determined at the 12th CPC Congress. I deeply believe: the broad masses of staff and workers in the field of highway work are certainly not content with the backward state of China's highway affairs. We must rouse ourselves to catch up, strengthen research and applications of economics and management science, promote more effectively and more speedily our highway undertakings so as to satisfy the pressing needs of the four modernization drives and of our 1 billion people.

TRANSPORTATION

DALIAN HIGHWAY, BRIDGE DEVELOPMENT DISCUSSED

Beijing GONGLU [HIGHWAY] in Chinese No 10, 25 Oct 84 pp 20-21

[Article by Zhang Laike [1728 0171 4430]: "Highway Undertakings in Dalian City Advance by Leaps and Bounds--Up to 1984, Total Number of Highways Increased 5.5 Times Compared to Early Years of the PRC, Total Length Increased 4.5 Times, Ratio of Good Roads is 92 Percent, 128 Villages Linked by Motor Roads"]

[Text] Since the establishment of New China, highway undertakings in Dalian City advanced by leaps and bounds. In the 5 county and industrial zones of the entire city, 128 villages are linked by motor roads, forming a highway network that radiates in all directions. It greatly stimulated large-scale development of all trades and professions and brought prosperity to town and village economies.

Dalian occupies the place of an outpost in our national defenses; it is an important port, a large gateway to Beijing, and the development of its highways has strategic significance for instituting exchanges between town and countryside and for general economic development, providing benefits that future generations will still enjoy, strengthening the country and enriching the people. However before liberation, during the 40 years of occupation by Tsarist Russia and imperialist Japan from the 19th to the 20th century, it was hardly possible for Dalian to develop its highways. Our investigations found that up to the time of liberation of the whole country the entire city had only somewhat over 800 km of so-called highways. Communications were stymied, the economy was backward and the people were poor. Only with the establishment of the PRC in 1949, under the leadership of the party and the people's government, could highway undertakings attain rapid development. At present, the municipality has 227 classed roads of a length of 3,762 km, these figures are 5.5 and 4.5 times, respectively, above the 1949 figures. Black and white-top roads have a length of 3,303 km; the length of roads accessible to motor traffic is 3,686 km. Among these there are 6 trunk state and provincial highways of 777 km, such as the Shenyang-Dalian, the Aihui-Dalian, and the Hegang-Dalian highways, an increase of 1.6 times over the length of all the roads built in the 26 years from 1949 to 1975. In every 100 sq km of the city there are 29.8 km of highways, which is over 7 times more than this figure was in 1949 for the entire province; every 100 sq km has 22.5 km of all-weather roads, which is 44.5 times more than in 1949 for the whole province. The entire city has not 835 large, medium and small bridges of a length of 24,566 meters, which amounts to one-third of the total length of bridges throughout the whole province. Tree planting has been done along 1,646 km of highways, which, as it were, "added flowers to the brocade" of our large motherland.

After the smashing of the "gang of four," especially after the 3d Plenum of the 11th CPC Central Committee, highway undertakings throughout the city experienced a triumphant advance as if opening up a new field of endeavor. Total investments in highway construction reached almost 200 million yuan, which is 2.5 times the amount of the past 10 years. Fifty old roads of a length of 969.8 km were upgraded and rebuilt, an increase of more than double the figure for the preceding 10 years. The number of new bridges built was 148, with a total length of 4,038 meters, figures that were 20 and 50 percent higher, respectively, than those for the 26 preceding years. The ratio of good roads reached 92 percent, an increase of 12.6 percent over the figure for the preceding 10 years. Road maintenance and construction was generally mechanized, semimechanized and carried out in a scientific manner. The whole municipality now has 625 pieces of various mechanized and electrical equipment, constituting a fixed asset of 16 million yuan. What the people call "the good old ancestors" in road maintenance and construction methods have been replaced by the use of the "three layers and three sprayings" [0005 4583 0005 7183] method and mechanized maintenance and construction methods. In 1982, the more than 300 meter long Xiezhang Bridge to Changxing Island in Fu County was completed and opened for traffic. Thus ended the long history of having to ferry over by boat to one of the four large islands of China, where a dense traffic had always gone on. The development of an emulsified road asphalt proved successful in applications, and 10.5 km of first grade highway were constructed, which raised traffic capacity, accommodating 25,000 trips by vehicles day and night, a record in highway history. For instance the completion and initiation of traffic over the Lijiao Bridge at Zhoushuizi ended the life of the "neck-choking road" constructed by Japanese imperialism, which was thus relegated to the history books. The highway management system has also gradually been consolidated. A healthy and sturdy contingent of staff and workers has been built up. There are now 4,305 highway staff and workers. Our present highway staff and workers feel proud and are in high spirits; the customary appellation of "road dogs" is completely a thing of the past.

Presently, the condition of the highways throughout the entire city is basically one of being level and smooth, clean in appearance, road humps have been appropriately graded, roadbed shoulders are lined, roadside ditches are free from debris, they have good serviceable bridges, roads are well marked, provided with signs and usable in every kind of weather. Work is now being started on widening the Shenyang-Dalian Highway and making it into a first grade highway, which will provide favorable conditions for the development of Dalian and of Liaoning Province and will render a service to the whole country.

9808

CS0: 4006/341

TRANSPORTATION

SOUTHEAST SHANXI HIGHWAY CONSTRUCTION DISCUSSED

Beijing GONGLU [HIGHWAY] in Chinese No 10, 25 Oct 84 pp 19-20

[Article by Zhang Haiqing [1728 3189 3237]: "Gratifying Situation of Flourishing Highways in Southeast Shanxi]

[Text] Southeast Shanxi is the area of the Taihang and Taiyue Mountains. It is an important sector of Shanxi's coal resources as it is also an area of abundant production of mountain products, native products and local specialties.

The area comprises 14 counties (municipalities) with a population of almost 4 million and extends over 21,900 sq km, of which over 85 percent is taken up by mountainous terrain. There are ample resources and abundant produce; the area is particularly richly endowed with coal, its reserves representing one quarter of the total reserves of Shanxi Province. Annual production of dangshen [8093 0639], Lu hemp, red haw, walnuts and other dried and fresh fruit amounts to over 200 million jin; they are traditional items of produce shipped out of the area. Its pottery, porcelain and ironware are famous in China and abroad.

In the early years after liberation, the whole area had only the two 317 km long simple highways to Taigu and Handan. Most of its county seats had no motor roads, and transportation had to rely on human backs and shoulders or pack-animals. After the establishment of the PRC, there was a gradual improvement in the highway transport situation, but it still remained far insufficient to be able to satisfy the needs of the people following the rapid development of production and the upswing in the economy. Particularly as far as coal was concerned, the advantages of its available supplies could not be fully exploited. Originally, the annual production of raw coal could reach 40 million tons, of which 15 million tons could be produced by prefecture, county and commune-run mines, but due to shipping difficulties even out of the limited quantity of less than 10 million tons that was actually being produced, 2 million tons had to be added annually to stocks. Difficulties were also encountered in the marketing of mountain products, native products and local specialties because of the mountainous terrain and the hazardous roads, so that these products were either locally disposed of at low prices or even uselessly left to rot.

After the 3d Plenum, the "leftist" line was eliminated and construction in Shanxi Province began to receive its due attention and its development

progressed. In August 1981, Comrade Hu Yaobang inspected Southeast Shanxi and pointed out the need for more highway construction, to open up this area for exports and make full use of its superior assets. These directives seized on the crucial points of the economic development of the mountainous regions, aroused the enthusiasm of the people to work for a solution of their large-scale roadbuilding problems, and set off a mass fervor for highway work over the whole area, with the leadership taking the lead, the people executing the work with some public assistance, in the spirit of self-reliance.

From the time of Comrade Hu Yaobang's inspection tour of Southeast Shanxi in August 1981 until now, Southeast Shanxi squeezed out 8.5 million yuan from local financial resources for use on highway construction. With the addition of accumulations from several social quarters, the funds in these 2-odd years reached the sum of over 15 million yuan. Over 2,100 km of new highway construction or improvements of highways leading out of the area or into the mountainous regions were carried out, 22 large and medium sized bridges were newly built, so that 98.8 percent of all communes in the area were linked with highways and 89 percent of all production brigades were linked with motor roads. In addition seven openings were created for traffic to neighboring areas and provinces, constituting further economic links with outside regions.

The development of highway construction enlivened the economy of the mountainous regions, which registered three big changes: 1. It promoted a large development of coal production. In 1983, the whole area extracted 21.08 million tons of raw coal, a 14.1 percent increase in transportation and marketing capability promoted the increase in coal production, gave impetus to a whole range of industrial developments and produced increased revenue. In 1983, the gross industrial output value of the whole area was 101,000 [as published] yuan, a 13.2 percent increase over 1982. Local revenue amounted to 133.7 million yuan, a 17.2 percent increase over 1982. 2. It ensured transportation and marketing of agricultural and sideline products, native products and local specialties, liberated rural manpower, promoted commodity production and increased the economic income of the masses. In 1983, the gross income of all rural production teams and peasants was 930 million yuan, a 20 percent increase over 1982. The net income was 740 million yuan, of which a total of 700 million yuan was earned by the commune members, an increase of 21.7 percent over the preceding year. The average income of the individual peasant was 255 yuan, an increase of 45 yuan over 1982 and a record high level. 3. It speeded up creating a spiritual civilization in the mountainous regions. The construction of highways facilitated the entry into the mountainous regions of science and technology, culture and education, medical and public health services as well as other things that represent social progress and brought about improvements in the clothing, food, housing and transportation for the population of the mountainous regions, as well as enormous changes in their ways of thinking and their mental outlook. In 1983, 110 culture villages and townships emerged over the entire district.

There are five kinds of economic experiences that we have gained from the fact that highway construction in Southeast Shanxi could achieve so very rapid a development within a rather short period of time and with little expenditure on the part of the state. They are 1. The leadership at all levels in the

prefectures, counties and communes came to realize that the construction of communications is the prerequisite and remedy for economic development. These leaders, therefore, personally led the masses and relied on the masses in the accomplishment of this arduous task and never rested until the objective was achieved. 2. In self-reliance and arduous struggle, there was no stretching out of hands for state help and no waiting for assistance from higher authorities, but perseverance was shown in establishing one's foothold on the foundation of one's own strength. 3. The policy of employing civilian laborers in public construction efforts and of having all work run by the people with public assistance was firmly upheld, displaying zeal by both sides, by the government and by the masses. 4. Paying attention to economic results, strengthening scientific management, striving to limit expenses in building more and high quality roads, achieving integration of the roadbuilding enthusiasm of the masses with a scientific attitude. 5. Using the experiences that had proven successful in the agricultural production responsibility system now also in highway construction and widely setting up economic responsibility systems in highway construction.

These five types of experiences are in fact the directives of Comrade Hu Yaobang rendered concrete in actual practice; they have struck deep roots in the hearts of the people of Southeast Shanxi. In the last 2 years, not only was there a rapid development of highway construction in Southeast Shanxi, but the development also accomplished outstanding achievements as far as capacity for traversing terrain and maintaining quality is concerned. For 5 years the area was rated an advanced area in the field of construction and maintenance of highways and was many times commended by the central authorities. In October 1982, the Ministry of Communications held an on-the-spot meeting here for county and commune highway construction throughout the nation, and the area was listed by the Ministry of Communications as an advanced area for key promotion and contacts.

From the start of this year, there has been even greater fervor among all the people of the area for highway construction. They declared their determination to build another several hundred km of county and village highways before the end of the year and to repair a certain number of km of county highways, open up an outlet highway from Jincheng to Boai, to have four more new highways between villages and to establish four new connecting highways, linking up production team motor roads and thus to create a new situation to benefit the four modernization drives and to add to them these additional contributions.

9808

CSO: 4006/341

TRANSPORTATION

HUBEI EXTENDS HIGHWAY MILEAGE

Wuhan HUBEI RIBAO in Chinese 25 Aug 84 p 1

[Report: "Hubei's Highway Construction"]

[Text] Since the PRC was founded 35 years ago, Hubei's highway transportation has developed rapidly. There are 45,000 kilometers of highways and over 97,000 private vehicles, being 15 and 78 times greater, respectively, than before liberation. There were then no permanent bridges, but are now over 5,600 bridges spanning 180,000 kilometers in total length, in addition to over 9,000 kilometers of asphalt-paved highways throughout the province. At present all rural villages are accessible by motor vehicle. Mountainous areas which were formerly inaccessible are now open to traffic.

Since the 3d Plenary Session of the 11th CPC Central Committee, highway transportation in Hubei has entered a new stage of integrated development, with the state, the collective and the individual participating. By 1983 the peasants in that province had raised enough funds to repair and build 30,000 kilometers of rural and inter-county highways. By June this year, the number of households engaged exclusively in the transport business had reached well over 13,800, with the help of over 1,780 vehicles and over 100,000 tractors they owned. This contributed to 70 percent of Hubei's rural transport volume. The combined passenger and freight haulage for 1983 represented 97 percent and 51 percent of Hubei's traffic load.

The prospects for the development of Hubei's highway transportation are bright. It is estimated that by the end of this century Hubei's highway network will be completed, with Wuhan as the hub and 100,000 kilometers of trunk highways as the skeleton to link the provincial capital with many areas as well as counties and villages, thus presenting a new panorama of express highways and multilane transport lines.

12661

CSO: 4006/5A

TRANSPORTATION

HUBEI EXTENDS TRUNK RAIL LINES

Wuhan HUBEI RIBAO in Chinese 25 Aug 84 p 1 (a)

[Report: "Hubei's Railway Construction"]

[Text] Hubei has initially completed its trunk railway network with Wuhan and Hsiangfan as the hub, linking the south and north and opening up the east and west to all the major cities in the country. Hubei now has 142.1 kilometers of railway, being 4.8 times greater than 1949. Trunk lines have been extended to 1,820.9 kms, the total extension being 2,796.6 kilometers.

Since liberation, the party and government have given particular attention to Hubei's railway construction such as approving the successive construction of the Han River Bridge and Chang Jiang Bridges. On the basis of laying double tracks along the Beijing-Guangzhou Railway and carrying out technical transformation and electrification on old tracks, the following lines have recently been overhauled: Wuda Line, Handan Line, Jiaoji Line, Xiangyu Line and other trunk and branch lines. As a result, the eastern, western and northwestern regions of Hubei have thus been open to traffic. Trains running from Wuhan can now reach Zhengzhou, Beijing, Tianjin, Loyang, Xi'an, Chongqing, Kunming, Guiyang, Changsha, Hengyang, Liuzhou, Nanning, Pingxiang, Guangzhou, Nanchang and other big and medium cities.

Railway construction promotes the development of the national economy. With Hubei's volume of passenger and freight traffic steadily on the increase, both passenger and small cargo traffic in the Wuhan area alone rose 9.27 and 23.86 times greater than the early stages of liberation. Last year over 27 million passengers and 21.93 million tons of cargo were dispatched. From January to August this year, the volume of passenger and freight traffic surpassed that of the same period last year.

Hubei has started overhauling the Daye-Shahejie Line which will be linked with the Nanchang railway terminal. By then Hubei will be linked with East China.

12661

CSO: 4006/5A

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

HUNGARY'S POLITICAL CONDITIONS AID ECONOMIC REFORM

Wuhan HUBEI RIBAO in Chinese 26 Aug 84 p 3

[Article: "Political Conditions for Hungary's Economic Reform"]

[Text] What accounts for Hungary's successful economy? Some people say Kadar's 25 years of rule have provided Hungary with a "stable political climate."

In the early stages of liberation, there was intensive strife between Hungary's former leaders and their opponents after raising the wrong slogan: "Whoever is not on our side is against us." Since coming to power Kadar has corrected his predecessor's mistakes by changing the slogan into one urging: "Whoever does not oppose us is on our side." He has also adopted the policy of solidarity and alliance with the majority of the people. First, the new party Central Committee acted very intelligently toward the Hungarian Incident. In 1962, the party resolutely expelled Rakosi and 24 others from the party Central Committee while exonerating those who had been involved in that incident. In the early 1960's the party already declared: "While there are still enemies in society, there are no classes or major categories having conflict of interests with socialism." Regardless of class distinctions, religious beliefs and party affiliations, as long as anyone accepts socialism he will be truly trusted and esteemed." The party stipulated that "It is no longer necessary to categorize young students according to their family backgrounds." This meant that the distinction between "new" and "old" intellectuals would be eliminated. As intellectuals, they would be regarded as members of the laboring class. Except party-related functions, nonparty members would be permitted to hold any leading positions and that all remaining landlords, rich peasants and capitalists would not be discriminated against, nor old scores settled.

After Kadar took office, the party and the administration were separated to strengthen the functions of government organs. Since 1965, Kadar has held no concurrent state or government posts. Secretaries of party organizations at all levels no longer concurrently fill top administrative posts. Party organizations generally oversee political and ideological work, without trying to interfere with production and business operations. At the same time, the functions of state organs continue to be strengthened. The National Assembly, judicial organs and other departments operate according to prescribed functions designed specifically for mutual supervision and restraint. The

Hungarian Government is able to give full play to the functions of mass organizations. The Council of Ministers and the Central Committee of Trade Unions convene one or two joint sessions each year to discuss matters of national importance. If the views of the two sides differ and disputes arise, they refer to the party Central Committee for arbitration. The law stipulates that in formulating national economic plans, the Council of Ministers must consult the Central Committee and accept its views and recommendations. The trade union of enterprises has the right to speak about problems concerning their production, wages, welfare, labor insurance, etc., as well as the right to supervise and participate in making decisions. When the leadership of enterprises makes decisions detrimental to the workers' immediate interests, their safety and health, the trade union has even the right to veto such decisions. The Hungarian Government respects the citizens' freedom of speech. The Ministry of Internal Affairs does not interfere with nor suppress any opposing views if no violence is directed against the present regime.

12661

CSO: 4006/5A

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

HUNGARY'S IMPROVED ECONOMIC MANAGEMENT DISCUSSED

Beijing GONGREN RIBAO in Chinese 8 Jan 85 p 2

[Article by Zhou Dongyao [0719 2639 5069]: "Hungary Will Improve its Economic Management System Further Beginning in 1985"]

[Text] According to XINHUA News Agency, beginning 1985 Hungary will continue to carry out reform in the drawing up of plans, giving decision-making power to enterprises, the method of leadership over enterprises, price, wages and other areas.

In drawing up plans, Hungary will further emphasize the developments of democracy by extensively absorbing the opinion of the boards of directors of the chamber of commerce, the trade unions and cooperatives and economic experts so as to bring into line the interests of various quarters to make the plans more of a social and mass character. The targets of the fiscal and mid-term plans (five-year plan) will not be set too rigidly or too high. Because of the unpredictable international economic conditions, in making plans, it is necessary to select a truly feasible program, prepare for the worst and leave some leeway. A plan should attach importance to flexibility that can adapt to changes in economic conditions both at home and abroad, however, it should also not be revised at will.

Beginning 1985, the decision-making power for the enterprises will be further expanded. The jurisdiction of government departments and local councils over the enterprises will be reduced as compared with the past. The responsible departments will not longer bother about the operational activities of enterprises in specifics.

In the new year, Hungary will implement the principle of linking the benefits of enterprises (wages, dividends and bonuses) with property (fixed assets, working capital and goods kept in stock) and discontinue the practice of mutually interchangeable use of the development funds and dividend funds of enterprises. An enterprise itself will decide on the increase of property and control of income to bring about closer relations between enterprise production and the market to take care of the enterprise's long-term interests.

Tremendous changes will also take place in 1985 in the system and means of economic regulation in Hungary. In the pricing system, more enterprises will

introduce the competitive prices directly related to the international market prices, and the import and export prices that change and fluctuate with the international market prices will be regulated by customs tariff.

With regard to income and wages, Hungary will further implement the principle of distribution according to work and let the enterprises take better care of their own property and income. Except for tax payment in accordance with the regulations, the responsible departments will not interfere with the enterprises' source of income and its use.

This year the state-operated enterprises will adopt two decisions on the methods of leadership over enterprises. One: Large and medium enterprises will form an enterprise committee as an organ of making strategic policy decision for the enterprises. With regard to the membership of this committee, half are workers' representatives including representatives of party, league and trade union in the enterprise, the other half is composed of factory directors and general managers as well as deputy factory directors, assistant managers and responsible persons of major production units (workshops) named by them. Two: the factory directors and managers of medium and small enterprises will be directly elected by workers and staff members and representatives of workers and staff members (other principal responsible persons such as deputy factory directors, chief engineers and chief accountants will be nominated by factory directors). However, certificates will be issued after the election upon recognition by the responsible departments as required.

12662

CSO: 4006/343

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

PRC JOURNAL ON ECONOMIC CONSTRUCTION OF INDIA

HK290637 Beijing GUOJI WENTI YANJIU in Chinese No 1, 13 Jan 85

[Article by Ye Zhengjia [0673 2973 0163]: "Achievements and Problems in the Economic Construction of India"--passage within slantlines published in bold-face]

[Text] After gaining independence on 15 August 1947, it took India about 3 and 1/2 years in which to heal its war wounds from the Indo-Pakistan partition. On 1 April 1951 the country began its first 5-year plan. This year is the last year of the Sixth 5-year Plan. During the six 5-year plans a variety of economic and political factors have meant that medium- and long-term plans have been broken off for 4 years and thus during those periods only annual plans remained. (See chart 1). In 1980, as the Indian Government was drawing up the Sixth 5-year Plan it was, at the same time also drawing up a 15-year long-range plan (1980-95) (See chart 6). At present the Indian Government's planning committee is drafting the seventh 5-year plan under the guidance of this long-range plan and on the basis of the sixth 5-year plan. This article examines India's development plans during the last 30-odd years since independence, its successes in construction, problems which have cropped up, and the development strategies involved.

I. Achievements in Construction

India is an enormous, developing country and after 30 years of experience in construction, its achievements are clear when compared with the state of the country prior to independence. Basically these achievements can be grouped into the following four major areas:

/1. Shaking off many years of stagnation during colonial rule, India set about the independent development of its national economy./ During the last 45 years of British rule in India, that is, from 1900-1 to 1945-6, India's national revenue grew by only 1.2 percent on average every year, while agricultural production only grew by 0.3 percent, thus being far behind the speed of growth of the country's population. The result was that India, which until 1920 was a food exporting country, was transformed into a food importing country. At the same time industrial production grew by only 2 percent. (Footnote 1) Indian Government Planning Committee: "The Sixth 5-Year Plan, 1980-85," p 1) Today this situation has been rectified. During

the 28 years from the first to the fifth 5-year plans, India's national revenue grew by an annual average of 3.5 percent. Agricultural production grew by 2.7 percent, thereby exceeding the growth in population, and food production has nearly reached the level of self-sufficiency. Industrial production enjoys an annual average growth rate of 6.1 percent (see chart 3). (Footnote 2) (Ibid., p 11) The average growth rate for the national revenue during the first 4 years of the Sixth 5-year Plan reached around 5.4 percent, exceeding the planned target of 5.2 percent. (Footnote 3) (Speech by Minister of Finance Muukherjee to the Lower House of Congress on 23 April 1984. See THE HINDUSTAN TIMES, 24 April) According to the 10-yearly population census, India's population grew by nearly 90 percent during the 30 years from 1951 to 1981 and during the same period the national revenue grew by 183 percent. According to calculations based on 1970-71 prices, the national revenue grew from 167.3 billion rupees during 1950-51 to 473.1 billion rupees in 1980-81. (Footnote 4) (Indian Government's 1983-4 "Economic Outline," p 81) During these 30 years the major growth was in agricultural and industrial products. Food output increased by 1.36 times, from 55 million tons to 136 million tons [figures as published] and these supplies are now generally able to meet the demand for commodity food and grain among the urban population. Cotton output increased by 1.52 times, from 3.039 million bales to 7.65 million bales. Steel ingots increased by 5.47 times, from 1.47 million tons to 9.53 million tons. Coal production increased by 2.62 times, from 32.8 million tons to 118.8 million tons. Cement increased by 5.89 times, from 2.7 million tons to 18.6 million tons. Machine tool production value increased by some 568 times, from 3 million rupees to 2 billion rupees [figures as published]. Sugar increased by 3.9 times, from 1.06 million tons to 5.19 million tons. Edible oil increased by 3.42 times, from 170,000 tons to 750,000 tons. (Footnote 5) (Sun Peijun: "Political Economics in India Since Independence," see NANYA YANJIU No 1, 1983 p 28) As far as textiles are concerned, although there has been virtually no growth in factory-produced cotton as a result of policies, there has been growth of several times in individual- and village-produced cotton as well as factory-produced artificial fibers and blended fabrics. Over the last 20 years nonfactory woven cotton cloth has increased by 1.36 times, from 2.09 billion square meters in 1960-61 to 4.934 billion square meters in 1980-81. Artificial and blended cloth has increased by 1.34 times in 10 years, from 1.128 billion square meters in 1970-61 to 2.62 billion square meters in 1980-81. (Footnote 6) (Indian Government's 1982-3 & 1978-9 "Economic Outline")

/2. Fundamental changes have taken place in the colonial nature of the pre-independence economic structure, basically creating an independent and complete national economic system./ Before independence India was a raw-material-producing country and its industry mainly consisted of some textile industries and some communications and transportation and repair industries designed to serve the suzerain state. According to an official investigation into manufacturing industry in 1950, the textile industry represented more than 45 percent of total investments in India's modernized industries while it employed around 60 percent of the total industrial workforce. Investments in the other four major industries and fundamental industrial sectors, namely iron and steel, cement, chemicals, and nonferrous metals, only made up 17.18 percent of total investments in industry as a whole and

employed only some 9.5 percent of the total industrial workforce. (Footnote 7) (Liu Fen: "India," p 41) India had to depend mainly on imports from Britain for its machinery, bicycle, electrical, and mineral oil needs. Its exports were mainly primary products. On the eve of the Second 5-year Plan (1955-6), the country's three major traditional export commodities, namely tea, jute, and raw cotton and cotton products, represented around 54 percent of the country's total export figures (Footnote 8) (Indian Industrial & Commercial Data, from the Central Statistics Organization's 1958 publication "A Pocket-size Summary of Indian Statistics," No 233, p 234) of which the major purchaser was Britain. In the same year 27.4 percent of all of India's exports went to Britain. (Footnote 9) (Ibid., No 227, p 232). In addition, one-third of all tea was exported to Britain. (Footnote 10) (As footnote 7, p 47) This unnatural structure of the country's economy has now been changed. Such fundamental sectors of the economy as industrial mining, building, electricity generation, and shipping and transportation have increased their position in the overall national economy from 18.8 percent on the eve of the First 5-year Plan (1950-1) to 29.9 percent during the last year of the Fifth 5-year Plan (1978-9). (Footnote 11) (As footnote 1, p 13) There have also been changes in the internal structure of industry. The position of such traditional light industries as textiles and food has dropped from 62.7 percent of total industrial production value in 1956 to 31 percent in 1970, whereas new industries such as machine manufacturing and chemicals have risen from 20 percent to 44.1 percent. (Footnote 12) (As footnote 1, p 13) In agriculture there has been an increase in factors related to modernization. The amount of irrigated land in the total amount of cultivated land increased from 17.1 percent at the start of the First 5-year Plan to 28 percent during the last year of the Fifth 5-year Plan. During the same period the amount of fertilizer used for every hectare of land increased from 0.5 kg to 29.5 kg. Land sown with improved high-yield varieties of wheat and rice has now risen to 71.1 percent and 41.8 percent respectively of sown areas, while unit area yield has more than doubled in the case of wheat and doubled in the case of rice. (Footnote 13) (As footnote 1, p 14) As far as foreign trade is concerned, there have also been changes in the export commodity structure. The proportion of manufactured products rose from 45 percent in 1960 to 59 percent in 1980. (Footnote 14) (The World Bank's "1983 World Development Report" p 166). Machinery products have become the biggest individual export commodity and during 1981-2 made up 17.8 percent of total export value. There has been a large diversification in the sources of imported products. Of total import figures for 1981-2, 47.9 percent came from OECD countries (of which Britain represented 6 percent and the United States, India's biggest supplier of commodities, only 10.4 percent), 27.7 percent came from oil-exporting countries, and 14 percent came from other developing countries, while the Soviet Union and East European countries made up 11.1 percent. (Footnote 15) (As footnote 4, No 148, p 149)

/3. The country's capacity for self-sufficiency has improved and the extent of its reliance on other countries has dropped./ This point has already been illustrated in the above-outlined changes in the structure of the national economy and the industrial makeup. In addition, on the domestic scene, India has reduced its reliance on other countries for the supply of major goods

and materials and construction funds. 1) As far as supplies of major means of production and means of subsistence are concerned, India has now greatly reduced its dependence on imports and has now attained self-sufficiency in many goods and materials. Grain and foodstuffs--on the eve of the First 5-year Plan 5.9 percent of India's total food consumption came from imports; by the last year of the Third 5-year Plan this had increased to 9.5 percent. Because the rural areas in India produced and sold their own food, these percentages indicate that the distribution of commodity grain and foodstuffs in the urban areas of India relied on American aid in the form of surplus agricultural products. Today, however, India has more or less reached self-sufficiency in food production. Fertilizers--this is closely linked to food production. On the eve of the First 5-year Plan, 72.5 percent of its fertilizers were imported, and by the end of the Fifth 5-year Plan this dependence had dropped to 27.5 percent. Of this total, the fertilizers used in the largest amounts, namely nitrogenous fertilizers, saw the percentage which had to be imported dropping from 88.9 percent to 0.9 percent, and this may be said essentially to be self-sufficiency.

Iron and steel--before the First 5-year Plan, 25 percent was imported. When capital construction got under way it rose to 40 percent, whereas now the country is essentially self-sufficient. Aluminum--before the First 5-year Plan, imports constituted 72.8 percent, and today the country is essentially self-sufficient. Various machines and types of equipment--before the First 5-year Plan imports stood at 68.9 percent and by 1977-8 imports had dropped to 15.3 percent. Whereas previously the country was 100 percent dependent on imports for sugar-processing machinery, it is now totally self-sufficient. As far as textile machinery is concerned there has been a drop from 60-70 percent dependence on imports to 11.3 percent and today only the very latest designs in machinery have to be imported. Sodium carbonate and caustic soda--previously India imported 40 percent and 65 percent respectively of these two major chemical raw materials and today it is basically self-sufficient. Oil--before the First 5-year Plan India imported 92.5 percent of its oil, while just before the Sixth 5-year Plan this percentage had fallen to 50 percent, and in 1983-4 it had fallen to 28.3 percent. (Footnote 16) (As footnote 1, p 15. As footnote 4, p 104) All these figures represent the fruits of India's "import substitution" strategy. 2) There has been a considerable drop in the importance of foreign aid in development planning expenditure and payment of import costs. India's dependence on foreign funding has undergone a development process with ups and downs, from increasing dependence to gradual reductions. During the First 5-year Plan foreign aid made up 9.1 percent of overall expenditure on development planning and 4.5 percent of import costs. These percentages rose steadily throughout the Second and Third 5-year Plans and during the economic difficulties between 1966 and 1969 they reached peaks of 33.9 percent and 37.5 percent respectively. After this they gradually began to fall and by the Fifth 5-year Plan were 8.9 percent and 12.8 percent. The Indian Government is now planning to reduce these percentages to 3.3 percent and 10 percent during the Sixth 5-year Plan. (See chart 5) (Footnote 17) (As footnote 1, p 14; according to a speech by the Indian Prime Minister on 13 July 1984 to the State Development Committee, foreign funding makes up around 8 percent of India's total investments) Naturally the situation is rather complex. For example,

while the proportion of foreign aid has dropped, the absolute amount has continued to increase greatly. There are some other objective factors in the drop in the proportion of foreign aid, such as problems in repayment of loans with interest, which have led to a reduction in net foreign aid revenue.

/4. Evident achievements have been made in science and technology./ Former Prime Minister Nehru stressed the importance of science and technology back in the fall of 1958 when he said "We must change this vicious cycle of poverty and we can only do so by making use of this new source of strength--science and technology." (Footnote 18) (John Miller [Yue Han Mei Lei 4766 5060 2734 0519]: "India--A Rising Medium-strength Nation," p 221, from the NEW YORK TIMES MAGAZINE 7 Sep 1958) In 1973 Indira Ghandi's government drew up an independent 5-year plan for the development of science and technology throughout the country (1974-9). Because of the attention the government gave to this question, the following achievements were made: 1) A strong team of scientific and technological personnel was set up and India and the West both believe that it is the third largest in size in the world, after the United States and the Soviet Union. According to official Indian Government statistics, the number of scientific and technological personnel in India with a college education or higher rose from 188,000 in 1950 to 2.187 million in 1979. (Footnote 19) (Ibid., p 226, from the Indian Government Science Committee's "1974-5 Research and Development Statistics") 2) There has been a large increase in the numbers of training organizations and students completing training programs. Figures for universities and colleges have tripled since independence, while student enrolment has increased by nine times. From 1950 to 1971 the number of students in colleges of science and technology increased by an annual 9 percent. There has been a change from universities leaning toward the liberal arts, and ignorance of the sciences, which existed during the time of British rule, and today science and engineering students made up one-third of all students enrolled in university level education. (Footnote 20) (Ibid., p 225) 3) As far as the publication of scientific and technological literature is concerned, India is the only developing country to have joined the ranks of the 10 leading nations in the world. According to statistics from "Index of Scientific Evidence," a scientific report based in the United States, the amount of scientific literature published by India in 1973 placed the country eighth in the world. This amount was equal to one-twelfth of publications from the United States, one-fourth of those from Britain, and one-third of those from the Soviet Union. However, the quality of these publications is quite low and, judging from the influence these publications have had, they should be ranked somewhere below 25th in the world. (Footnote 21) (Ibid., p 235; Professor B.R. Naga of Calcutta University: "Science and Progress," from THE STATEMAN, 12 Feb 1984)

What is more, there are still many drawbacks and shortcomings in India's scientific and technological undertaking, such as dislocation in production, insufficient propagation and application, lack of attention to, and even ignorance of, agricultural scientific research, and the fact that funds for scientific research are consumed by military spending.

II. Problems and Difficulties

While India has achieved the above-outlined successes in economic construction, they still fall very short when compared with the arduous tasks facing the country and the targets put forward by the Indian Government. Below is an outline of the problems and difficulties which the country has come against in the past and which it faces today:

/1. There is still no improvement in the impoverished state of the mass of people./ Improvement in the people's living standards and the achievement of "social justice" have constantly been cited as the "central aim" of India's 5-year plans and as one of the "four specific targets." The call to "wipe out poverty" has now been made for 10 years or more. However, to date, general poverty still represents the biggest problem in Indian society and is still far from being solved. When assessing the last 5-year plan, the Indian Planning Committee wrote "as far as social justice is concerned, the most we can say is that the situation has not worsened, and while some success has been achieved in some areas, progress is nevertheless too slow." (Footnote 22) (As footnote 1, p 9) According to official investigations carried out in 1977-8, 48.13 percent of the entire population of India was living below the poverty level, with the proportion higher in rural areas--50.82 percent, and slightly lower in the urban areas--38.79 percent. The situation is not balanced in all regions of the country and in the rural areas of Orissa State it is as high as 69 percent, whereas in the rural areas of the Punjab, where the successful "green revolution" has been carried out, it is only 12 percent, better even than the situation in the urban areas, where it stands at 15 percent. (Footnote 23) (As footnote 1, p 16) As far as developmental trends are concerned, the period up until the mid-1960's saw a worsening of conditions, whereas since that time there has been a slight improvement in the situation. (Footnote 24) (As footnote 1, p 7) According to the latest estimates from the planning minister, by the end of the Sixth 5-year Plan, it is expected that the percentage of the population living below the poverty level will drop to around 37 percent. (Footnote 25) (Speech by S.B. Chavan on 12 July 1984 at the State Development Committee's discussion of the Seventh 5-Year Plan, from THE HINDUSTAN TIMES, 13 Jul 1984) Poverty is an all-encompassing problem and is linked to the low growth rate in economic development and the high birth rate. Today in overall terms the level of development in the national economy in India is still fairly low. According to estimates by the World Bank, India's per capital GNP in 1981 was only \$260 and thus ranked 97th in a list of 11 countries included in the statistics, or in other words was only 15th from the bottom. (Footnote 26) (World Bank: "1983 World Development Report," p 148) However, in the final analysis, the fundamental reason behind the shocking universal poverty in India remains the social system itself, namely the private ownership of property. The prime minister of India's former caretaker cabinet, Jagan Singh, hit the nail on the head when he wrote that as far as economic development was concerned, India and China began at just about the same time and the foundations in the two countries were roughly the same, and in some aspects India was in a better position than China. As far as receiving overseas economic and technological aid was concerned, India was

in a far superior position to China, "But today the Chinese are better fed, clothed, and housed than Indians." (Footnote 27) (Jalan Singh: "India's Economic Nightmare," p 13) When President Herrera of Venezuela visited both China and India in the late autumn of 1981, the impression he received was that "there are enormous differences between India and China." Reports from journalists state that in India "the process of changing injustices in the social economic situation is very slow," and "examples of poverty can be seen everywhere and malnutrition is present everywhere." (Footnote 28) (Yi Fu Bao Ma [0122 1133 0545 7456] "A Comparison Between China and India," from Caracas DAILY NEWS, 19 Nov 1981) According to international investigations, when one looks at average per capita food supply, the level of nutrition in India and China are very close. (Footnote 29) (As footnote 27, p 24, from "1973-4 Indian Economic Information Pocket Handbook," p 256) Thus the differences lie in the systems of ownership of property and the distribution relations arising there from. In some senses the Indian Government has also admitted that the system of ownership of property does play a role in the problem of poverty. Over the last few years the Indian Government has attempted to introduce some policy measures aimed at developing the noncentrally managed economies of the poorest strata of society and the backward regions of the country, while, at the same time, not changing the system of private ownership of property. These moves have been aimed at improving prospects for the masses of poor, in particular the poor rural peasants.

Poverty is, in addition, linked with the next two problems to be discussed, namely unemployment and financial policies in India.

/2. The problem of unemployment is becoming increasingly serious./ The most serious manifestation of poverty is unemployment, and as far as non-property-owners are concerned, unemployment means zero income. According to statistics taken from official random investigations, during the 28 years of the past five 5-year plans the number of unemployed throughout India has risen by more than six times. In other words, in 1951-2, unemployment stood at 3.3 million, while at the start of the Sixth 5-year Plan (1980-1) it has increased to 20.74 million. (Footnote 30) (As footnote 1, pp 204, 205, 209; Indian Government's weekly journal PLANNING, 6 Jan 1976) Furthermore, according to checks made on those seeking employment in urban areas, in March 1973 the figure stood at 4.22 million, while at the end of 1983 this figure had climbed to 21.95 million, an increase of 4.2 times over 12 years. (Footnote 31) ("1984 Outline of Indian Statistics," p 138, edited by Ta Ta [1044 1044] Service Co) The growth in unemployment illustrates how new employment opportunities opening up during economic construction are not keeping up with increases in the social labor force. During the First 5-year Plan, the difference was 2 million people and by the Fourth 5-year Plan it had risen to 9.3 million people. In the past the Indian Government overstressed the need to give priority to the development of heavy industry and it ignored developmental strategies for agriculture and light industry and the result has been that investments have been enormous and yet there have been few employment opportunities created. Thus the problem of unemployment has continued to grow and grow. After the Fifth 5-year Plan the government began to make adjustments to this strategy and once again stressed the need to develop

agriculture and now centrally managed industries, so as to absorb more of the idle social labor force. The Sixth 5-year Plan stipulated that agriculture and small industrial sectors would absorb some 30 million people into employment, thus reducing unemployment to 16.63 million. This is clearly an extremely arduous task.

/3. Inflation, price increases, and devaluation of the rupee./ According to the officially published all-India consumer product price index, if the 1949 figure is taken at 100, the index had risen to 548 by 1981-2. In other words, during these 32 years prices had risen by 4.48 times, including a rise in food prices of 4.51 times. As far as developmental trends are concerned, these increases are accelerating. During the 11 years from 1949 to 1960, the increase was some 40 percent. During the 10 years from 1960 to 1970, the increase was 84 percent, and from 1970 to 1980 it was 128 percent. (Footnote 32) (Indian Government's 1982-3 "Economic Outline," p 127) The result of this has been devaluation of the rupee. Taking the purchasing power of the rupee in 1970 at 100 paisa, by 1983 it had plummeted to 18.8 paisa. (Footnote 33) (As footnote 31, p 184) Inflation and monetary devaluation not only affect people's living standards, but also throw planning into disarray, and thus the 5-year plans cannot be completed satisfactorily in terms of quality and quantity. The Indian Government has fallen into a vicious circle of its own creation. Whenever it is necessary to stabilize prices and society and to bring down inflation, economic activity often becomes sluggish and the growth rate drops. In order to improve growth, it is necessary to increase taxes and financial deficits, and thus it is difficult to avoid price rises. Therefore, in the long run, planning expenditure may also decrease. Inflation and price rises are primarily a direct result of many successive years of government spending deficits. Apart from 1941-2 and 1961-2, there have been financial deficits every year in India, and they have grown bigger every year. In 1950-1 it stood at 37 million rupees, and by 1961-2 it had risen to 1.145 billion rupees. In 1972-3 it stood at 8.689 billion rupees, and in 1979-80 it had risen to 27.01 billion rupees. During the 30 years from 1950-1 to 1980-1, the central government accumulated a total of 132.145 billion rupees in financial deficits. (Footnote 34) "Indian Economics," edited by the South Asia Research Bureau of Sichuan University, p 138, from INDIA SAVINGS BANK MONTHLY JOURNAL, Apr 1968, May 1974, Nov 1977, and from INDIAN MONTHLY ECONOMIC COMMENTARY, Jun 1980) The second reason for inflation has been the large rise in taxes, in particular indirect taxation. Over a period of 33 years figures for total central and regional taxes rose by 49 times from 6.27 billion rupees in 1950-1 to 314.6 billion rupees in 1983-4. During the same period the proportion represented by taxation in the national revenue rose from 6.6 percent to 20.3 percent. (Footnote 35) ("Pocket Book of Indian Statistical Data," published in 1971, and "Statistics Outline," edited by Ta Ta [1044 1044] Service Co as footnote 31) The third reason for inflation is the confusion caused by so-called "black money," illegal income earned by capitalists through tax evasion. The amount of money involved is enormous and it is getting bigger. According to official statistics, in 1947, just after India had gained independence, it stood at some 480 million rupees, and by 1972 it had risen to some 43.8 billion rupees. (Footnote 36) (As footnote 34, p 156) Unofficial estimates are far higher and recently it was said that the scale of "black money" had

increased from representing 5 percent of the GNP 30 years ago to nearly 50 percent of the GNP today, placing the country first in the world. (Footnote 37) (H.K. Sundhi "Black Money Epidemic," from ECONOMIC TIMES, 3 May 1984). The Indian Government has made several attempts to find ways of solving or rather reducing, this problem, but all have ended in failure. Because these enormous sums in illegal funds cannot be accounted for they cannot be invested in areas of production, rather they are arbitrarily squandered, thus seriously harming the market. In addition, some short-term factors and external factors, such as production stagnation and poor agricultural harvests, also produce soaring prices because market supply cannot meet demand. Thus, for example, in 1956, during the great agricultural disaster, food prices soared by 28.7 percent. (Footnote 38) ("Pocket Book of Indian Statistics," edited by the Indian Central Statistics Organization, 1958, No 116, p 117) During 1974-5 and 1979-80 the double effects of natural disasters and increases in international oil prices meant that prices rose by 25.2 percent and 18.2 percent respectively, with food prices increasing 38 percent and 17.3 percent respectively, and energy prices rising 51.1 percent and 24.7 percent respectively. (Footnote 39) (As footnote 32, p 125)

/4. Depending foreign debt, corresponding reduction in foreign aid, shortage of foreign currency/ In its industrialization process, India urgently needs to import large amounts of machinery and equipment from developed countries, and even food, in order to meet the rapidly increasing demand of urban population centers. However, India's "import substitution" strategy, which it has been using in its 5-year plans, simply cannot increase exports to any large degree. The growth rate of Indian exports has long been behind the world level. During the Second 5-year Plan, average annual exports only grew by 0.7 percent (the world level was 6.4 percent). During the Third 5-year Plan, the figure stood at 4.8 percent (the world level was 7.8 percent). During the Fourth 5-year Plan it stood at 10.7 percent (the world level was 19.2 percent). (Footnote 40) (As footnote 1, p 15) Thus, the gap between India's import and export revenue and expenditure is getting bigger and bigger. In 1950-1 export revenue was still able to cover 92.5 percent of import expenditure. By 1960-1 this percentage had dropped to 57.2 percent. After this the figure fluctuated between good and bad. In 1978-9 it stood at 84 percent, while in 1980-1 it was 54.4 percent. (Footnote 41) ("1982 Indian Statistics Outline," p 3, edited by Ta Ta [1044 1044] Service Co) In 1983-4 the percentage was 61.2 percent. (Footnote 42) (THE HINDUSTAN TIMES, 4 Jul 1984, report on officially published figures) The result has been an almost annual foreign trade deficit and this has led to a sharp fall in foreign reserves. Just after independence India had some 1.2 billion pounds (around 15.4 billion rupees) in reserves. This foreign currency was money that the British colonial government owed to India for strategic goods and materials which it has seized during the two world wars. During the early years of independence India had this money deposited in pounds sterling in London banks and used it to buy all necessary imported products during the period of economic recovery. Just before the First 5-year Plan began, that is on 31 March 1951, India had foreign reserves of some 9.114 billion rupees, of which 8.842 billion rupees (663 million pounds) was pounds sterling reserves. By the start of the Second 5-year Plan (1955-6) 7.846 billion rupees of foreign reserves still remained. However, by 1957, the 3d year of the Second 5-year Plan, India had changed from being a

creditor nation to being a debtor nation. By 1958 the Indian Government owed a net 600 million rupees, and when foreign private investments were added to this figure, India's total foreign debt stood at 6.48 billion rupees. (Footnote 43) ("1960-1 Annual Yearbook of the TIMES OF INDIA, p 235) This, then, is the background to India's foreign currency crisis, which began in 1958. By the end of the Third 5-year Plan India's foreign reserves usually only sufficed to cover around 1 month's import costs, whereas foreign trade turnover often required up to 4 months' worth of foreign reserves. It was at this time that India turned for help to the West, and in August 1958 the "Aid India Club" was organized by the World Bank, with encouragement from the United States. The aim of the club was to hold annual discussions and to plan how Western countries could provide aid to India. This aid-India financial group thus became the major source of external funding for India's 5-year plans. Up until 31 March 1982, of India's 235.98 billion rupees of foreign aid, 86.7 percent, that is some 204.587 billion rupees, came from this source. (Footnote 44) (As footnote 32) Although after the Third 5-year Plan the importance of foreign aid in India's planning did drop somewhat, it did still increase in absolute figures and over the last five 5-year plans it has represented 2 billion rupees, 14.3 billion rupees, 28.7 billion rupees, 41.8 billion rupees, and 73.1 billion rupees respectively. When deductions for debt repayment with interest are made, net foreign aid stood at 1.8 billion rupees, 13.1 billion rupees, 23.3 billion rupees, 17.4 billion rupees, and 35.4 billion rupees respectively. (See chart 5) (Footnote 45) (As footnote 1, p 14) Dependence on foreign aid represents one of the biggest problems for India in its economic development. On the one hand India is burdened with enormous foreign debts and after the start of the Fourth 5-year Plan, India had to use two-thirds of its annual foreign aid to repay old debts, thus producing the so-called "debts creating debts" situation. On the other hand, dependence on foreign aid has meant that India's economy cannot weather stormy international conflicts and this has made the economy weak. Thus, for example, after the great drought of 1965-6, there developed a 10-year stagnation of economic growth in India and one of the major reasons for this was the sharp drop in foreign aid. During the Third 5-year Plan India received a net annual average of 7.9 billion rupees in foreign aid but in the following 8 years (1966-73) this figure dropped to an annual average of 4.6 billion rupees. There were political reasons for the drop in foreign aid during this period. Because of the two wars between India and Pakistan in 1965 and 1971, the United States, India's biggest creditor, stopped its aid to India. There were also economic reasons. As the loans and interest to be repaid increased year by year, so the net income from foreign aid dropped correspondingly. By the 1980's the enormous rises in the prices of imported commodities meant that import expenditure had increased by 38.8 percent. The cost of oil imports, and oil products in particular, ate up around 83 percent of all export revenue. At the same time exports only increased by 3.9 percent because of a universal economic slump on world markets. In addition to this increases in revenue from overseas remittances also slowed down, and thus all of these factors led to a sharp increase in India's foreign trade deficit and international revenue and expenditure deficit, and foreign currency reserves fell even lower. This foreign currency crisis forced the Indian

Government to take out an enormous loan of 5 billion rupees (\$5.8 billion) from the IMF in August 1981. India's dependence on foreign aid and its untimely foreign currency crisis cannot be eliminated in the short term, rather it is likely to worsen. According to estimates from a secretarial memorandum of the IMF, the percentage of India's foreign currency income from normal international revenue and expenditure represented by its repayable debts may rise from today's 8 percent to around 16 percent in the mid-1980's. (Footnote 46) (As footnote 5, p 35)

/5. Low economic results in industrial enterprises, factories operating below capacity, constant increases in "sick enterprises" in the privately managed sector/ According to general estimates, the utilization rate of equipment in Indian industry is 66 percent in the publicly managed sector and 78 percent in the privately managed sector. (Footnote 47) (Ibid., p 36) Before 1973 most state-run enterprises in India were running at a loss and although after this time some of them did start to make a profit, overall profits remained very low. (Footnote 48) (As footnote 34, p 111) During the 10 years 1971-1981 net profits totaled only 630 million rupees. (Footnote 49) (Indian Government: "1980-1 Investigative Report Into State-run Enterprises" from "Collection From Discussion Forum on a Comparison Between Chinese and Indian Economic Development," published by the South Asia Academy, p 108; De Liang Si Ma Jun's [1795 5328 0674 7456 6511] article "Indian State-run Enterprises and Economic Results") These years also saw mainly losses rather than profits. In the private sector there was an increasing number of what were called "sick enterprises," owing to the enormous losses they made because of poor management. In December 1976 there were 241 large and medium-sized sick enterprises and by February 1980 this number had increased to 439. The unpaid bank loans among them increased from 6.1 billion rupees to 17.3 billion rupees. Furthermore some 270,000 small-scale industries also sank into sickness and their bank loan debts reached nearly 4 billion rupees (at the end of June 1983). (Footnote 50) (As footnote 31, p 126) Since 1980 people have begun to discuss the recession in Indian industry. Basically the reasons behind the industrial difficulties in India are: 1) Supply exceeds demand in some areas, either because the people's purchasing power has fallen or because the government has tightened planning expenditure. 2) The development of such basic facilities as energy and transportation and communications is unable to keep up with growth in demand. In 1980-1 it fell short by 12.6 percent, in 1981-2 it fell short by 10.8 percent, in 1982-3 it was 9.2 percent short, and in 1983-4 10.8 percent. (Footnote 51) (India ECONOMIC TIMES, 3 May 1985) 3) There has been a drop in the growth of exports. 4) There have been increased losses through labor and wage disputes. In 1961 strikes or stoppages resulted in the loss of 4.92 million working days, in 1971 it had increased to 16.55 million working days, and in 1981 it stood at 29.91 million working days. (Footnote 52) (As footnote 32) During 1982 and 1983 alone the longest strike in the history of the Indian labor movement, carried out by textile workers, resulted in the loss of 63.5 million working days. (Footnote 53) (As footnote 31, p 139)

III. Development Strategies

The successes achieved by India and the problems that exist in its economic construction are all related to varying extents to the development strategies used. Naturally other factors also play a role, such as the socioeconomic systems, changes in the international situation, and so on.

The meaning of the phrase "development strategy" is not very clear. This article will look at two aspects of it, namely development targets and the major means used to achieve these targets. In its report on the Sixth 5-year Plan, the Indian Government's planning committee summarized the fundamental targets of economic development in India in the following four points: growth, modernization, self-sufficiency, and social justice (Mainly aimed at reducing the disparity between rich and poor and differences between different regions of India). However, the "central target" still remains to improve and enrich the people's lives by opening the road to development. (Footnote 54) (As footnote 32) The first two sections of this article have already looked at the successes achieved over the last 30 years since independence in realizing this target, as well as the difficulties which remain. Below we will only concern ourselves with the major means, and this topic can be divided into four areas. There will be development, changes, and readjustments to each of these four areas during the process of their long-term implementation.

/1. Priority development for heavy industry and foundation industries, priority development for the publicly managed sector/ This basic development strategy was mainly used during the Second and Third 5-year Plans and since then has been readjusted in many ways. In many senses the First 5-Year Plan was still a continuation of the 3-year economic recovery and it took as its first and main target "improvements in people's livelihood." At the same time it also made preparations for later large-scale economic development. The other two targets put forward during the First 5-year Plan were "changes to the stagnating economic structure" (of colonial times) and "the laying down of solid foundations for future economic development." (Footnote 55) (As footnote 5, p 31) The recovery and development of agriculture was seen as a major area of development, and expenditure on agriculture and irrigation at all levels of government represented 31 percent of total planning expenditure, higher than in all the following 5-year plans. As far as industry was concerned, efforts were mainly concentrated on supporting the recovery and development of private capital, and investments in the private sector represented 53.6 percent of total planning investments. The focus of investments in publicly run industry was on the recovery and building up of basic facilities. The speed of development during the First 5-year Plan was set at only 2.1 percent, but in actual fact it exceeded this and reached 3.6 percent. At the end of the First 5-year Plan, in January 1955, Nehru put forward his political call for the establishment of a "socialist-style society," and on the economic front his fundamental development strategy was to give priority to the development of the public sector, heavy industry, and foundation industries. The outline for the Second 5-year Plan, drawn up on the basis of this guiding idea, clearly stipulated that the state must shoulder the heavy load of constructing a "socialist-style society," and that the public sector

must quickly develop and take a commanding role in overall investments. The public sector was to set up those enterprises which required modernized technology and an enormous scale which the private sector either did not want to set up or could not set up. (Footnote 56) (Indian Government planning committee: "Overview of the Second 5-year Plan, 1956, pp 10-11, from Jalan D. Hua Da Wa's [5478 6671 3907] "Some Questions on Indian Economic Policy," pp 139-40) The nature of this particular strategy was direct [word indistinct] of state powers in intervention in socioeconomic life so as to achieve within a short period of time a change in the old economic and industrial structure of India, and the establishment of a comprehensive industrial system throughout the country. This development strategy, which appeared most obviously during the Second and Third 5-year Plans, when compared with the First 5-year Plan, clearly displayed the following characteristics: 1) An increase by several times in government planning expenditure--from 19.6 billion rupees during the First 5-year Plan to 46.7 billion rupees (an increase of 138 percent) during the second and to 85.7 billion rupees (an increase of 84 percent) during the third. (Footnote 57) (Ta Luo Ke [1044 3157 0344] Singh: "India's Developmental Experience," p 25; The Indian Government's "Economic Outline" for 1978-9 and 1982-3). 2) The proportion of planned investments in the public sector exceeded those in the private sector. In the case of the Second 5-year Plan it was 54.6 percent and during the Third 5-year Plan it was 63.7 percent. (Footnote 58) (As footnote 41, p 17) 3) The proportion of planned expenditure by all levels of government in industry, mining, communications, and electricity greatly increased, from 42.2 percent during the First 5-year Plan to 57.6 percent and 59.3 percent respectively during the following to 5-year plans (see chart 2). The actual amount also increased by several times, from 8.57 billion rupees during the First 5-year plan to 26.45 billion rupees during the second and 50.9 billion rupees during the third, in other words increases of 209 percent and 92 percent respectively. (Footnote 59) (As footnote 57) 4) The annual average growth rate for fixed assets greatly increased, from 3 percent during the First 5-year Plan to 5.8 percent during the second and 8.7 percent during the third (see chart 3). (Footnote 60) (As footnote 1, p 11) As far as industrial capital construction was concerned, the iron and steel industry took the lead and, during the Second 5-year Plan, work started on three iron and steel works at the 1 million ton level. Investments in the iron and steel industry made up 30.4 percent of total industrial investments, and second to this came investments in the machine-manufacturing industry, with 17.2 percent of total industrial investments. However, investments in modern light industry only made up 7.1 percent of total industrial investments. (Footnote 61) (As footnote 7, p 59) 5) Government planning expenditure on agriculture dropped significantly from 31 percent during the First 5-year Plan to 20.6 percent and 20.5 percent during the second and third plans (see chart 2). (Footnote 62) (As footnote 57) 6) The target for annual average growth in the national revenue grew significantly from 2.1 percent during the first plan to 4.5 percent and 5.6 percent in the following two plans, although the actual growth results fell far short of these targets, being 4 percent and 2.2 percent during the Second and Third 5-year Plans. (Footnote 63) (As footnote 1, p 1) The development strategy focused on in these ten years (1955-65) produced extremely obvious advantages and difficulties for the Indian economy. On

the one hand industrial production nearly doubled. Taking the industrial production index in 1951 as 100, by 1956 it had risen to 136, and by 1966 it stood at 262.4, an increase of 93 percent. (Footnote 64) (As footnote 5, p 32) Growth in some heavy industrial products was truly startling. Iron and steel output increased by 2.58 times, aluminum ingots increased by 886 times, machine tool production value increased by 42.3 times, cars by 6 times, sodium carbonate by 3.3 times, caustic soda by 5.4 times, electrical machinery by 5.8 times, and cement increased by 1.4 times. (Footnote 65) (Calculated on the basis of figures taken from pp 174-193 of the official Indian "Pocket Handbook of Indian Statistics" for 1958 and the "Economic Outline" for 1978-9) In the long term these 10 years laid down a solid foundation for the construction of an integrated national industrial system in India. On the other hand, the result of such a violent upward shift in the industrial foundation was that serious dislocations occurred in the proportional relations between agriculture, light industry, and heavy industry, and between production and livelihood. In addition, this period saw a continued occurrence of the three major types of crisis in food, prices, and foreign exchange. In the end it led to the interruption of the 5-year plan and the country was forced for 3 years to make annual economic readjustments. In actual fact the economic recession continued right up until the end of the Fourth 5-year Plan before there was any change. Economic readjustments are still being constantly carried out and their overall aims are simultaneous emphasis on agriculture, light industry, and small industries and relaxation of restrictions on the private sector, thus giving it more consideration. These kinds of readjustments have made themselves particularly evident in the Sixth 5-year Plan. During the Sixth 5-year Plan, the proportion of planning expenditure on industry, mining, communications, and electricity has dropped to 47 percent (during the Third 5-year Plan it was 59 percent). The proportion of private sector investment has increased to 47 percent (during the third plan it was 36 percent). According to reports, the Seventh 5-year Plan, which is being prepared now, may permit the proportion of private sector investment to exceed that of the public sector. In addition, there are also some concrete policy adjustments. However, in overall terms the extent of the adjustments in the Fourth and Fifth 5-year Plans was not great. Expenditure for agriculture and irrigation only increased to 23 percent, from 20 percent during the Second and Third 5-year Plans, and still remained lower than the 31 percent of the First 5-year Plan. The proportion of expenditure on industry, mining, communications, and electricity was still 56 percent and 59 percent respectively for the Fourth and Fifth 5-year Plans, almost the same as during the Second and Third 5-year Plans, yet much greater than the 42 percent of the First 5-year Plan. As far as the ratio of private and public sector investments were concerned, the Fourth and Fifth 5-year Plans were similar to the Second and Third 5-year Plans (see chart 3). (Footnote 66) (As footnote 57) Under this kind of strategic guidance, which gave priority to the development of the public sector heavy industry and foundation industries, total investments in all of the Indian central government's 21 industrial and commercial enterprises shot up from 810 million rupees on 1 April 1956 to 300 billion rupees in a new total of 209 enterprises in April 1983; in other words an increase of 316 times over 27 years. (Footnote 67) D.H. Pa Yi Pa Nan Di Kai Er [1584 0122 1584 0589 6611 0418 1422]: "Government Participation in Industrial Activities," from

THE HINDUSTAN TIMES, 8 May 1984. According to a report in the HINDUSTAN TIMES of 5 July 1984, the Indian Minister for Industry N.D. Tiwari said on 4 July 1984 that central government enterprises totaled 223).

/2. A shift from the strategy of "import substitution" to the strategy of "promotion of exports"/ The strategy of "import substitution" was implemented throughout the 1950's and the 1960's and it represented an important strategic principle in the development of India's economy and control of its foreign trade. By the 1970's the strategy of "promotion of exports" had been begun on the basis of the results of this first strategy. At that time India had, on the one hand, already established its own industrial foundation, while the country's capacity for self-sufficiency in industrial products, in the case of both the means of subsistence and the means of production, had greatly increased (see chart 4). On the other hand, India was getting into a very difficult situation in terms of international payments, and on top of this domestically produced industrial products were also experiencing sluggishness on domestic markets. Under guidance from the new strategy, India's exports saw considerable continued growth. They increased from an annual average of 4.8 percent during the Third 5-year Plan to 10.7 percent during the fourth and 17.3 percent during the fifth, although they have still not yet managed to reach a world trade development level. (Footnote 68) (As footnote 1, p 15) At the same time as furthering "promotion of exports," India also, during the late 1960's, began to develop economic, technological, and trade cooperation with the Third World, in an effort to seek overseas markets for its commodities, technology, and labor force. It placed particular emphasis on joint venture enterprises and contract projects. According to official statistics, up until the end of March 1983 the number of overseas joint ventures that India had begun or which were in operation totaled 141, with India having invested in them a total of some 560 million rupees. Another 87 projects were being launched, involving investments of 660 million rupees. (Footnote 69) (As footnote 31, p 129) Furthermore, according to the latest material from the Indian investment center, published on 11 May 1984 in the HINDUSTAN TIMES, India has now undertaken 235 joint venture enterprises in 39 countries, of which 154 are already in operation and 81 are being set up). Furthermore, India also partially implemented a policy of "catering to exports" and thus permitted foreign investment to have more than 50 percent, and in some cases even 100 percent, share rights, so as to encourage the export of all, or at least most, of the products produced in these enterprises and thus earn India even more foreign currency. Recently, during deliberations over the Seventh 5-year Plan, export difficulties, sharp rises in imports, increasing difficulty in procuring foreign aid, increasing debt repayment burdens, and further shortages of foreign currency have meant that the Indian Government is once again stressing the great significance of the strategy of "import substitution."

/3. Adoption of the "incorporate everything" strategy in the importation of foreign capital and technology/ Back in the 1950's, during the cold war between East and West, Nehru adopted a foreign policy position of nonalliance, and in line with this the country also adopted a position of

"drawing from left and right" in economic and technological terms. As the world powers underwent multipolarization, this strategy gradually developed into a strategy of "multilaterality." The essence of these strategies lay in leaving India the greatest possible choice. It also allowed the country to take the greatest possible advantage of competition between two or more sides, and it also meant that India could avoid slipping into serious dependence on one country. Up until the end of March 1983, of the total 235.98 billion rupees in foreign aid that India received, 22.1 percent was U.S. aid, 18.9 percent was aid from the International Development Fund, 9.9 percent was aid from Britain, 7.8 percent was from West Germany, 7.1 percent from the World Bank, 5.1 percent from Japan, and 4.3 percent from the Soviet Union. (Footnote 70) (As footnote 32) Although the Soviet Union's contribution was small, it was an important pillar in India's realization of its dream of industrialization. In the early years of India's industrialization, economic and technological aid from the Soviet Union thwarted the obstacles and monopoly of the West, in particular the United States, and thus promoted India's plan for establishing an industrial foundation and achieving self-sufficiency. By the end of the 1970's aid from the Soviet Union represented an important part of the production capacity in India's major industries: 30-40 percent in iron and steel, 60 percent in oil, 30 percent in oil products, 15-20 percent in electricity generation, 41 percent in coal production, 80 percent in heavy machinery production, and 50 percent in antibiotics and medicines. (Footnote 71) ("Soviet-Indian Cooperation and Indian Economic Development," edited by R.K. Xia Ma [1115 3854], p 14; "Soviet-South Asian Relations 1947-78," edited by La Ku Jia Yan [2139 1655 6328 3009], chart 5) While India was receiving aid from the Soviet Union it was also seeking aid from the West. Aid from the Soviet Union and aid from the West both had their characteristics, and as far as India was concerned both had their uses. Almost all of the Soviet aid was in the form of loans, but was calculated in rupees, and thus saved India its foreign currency. With this kind of economic aid, Indo-Soviet trade developed very fast. In 1955-6, Indo-Soviet trade did not amount to 100 million rupees, and only made up 0.7 percent of India's total foreign trade figures, while the Soviet Union ranked lower than 20th in the list of India's trade partners. By 1981-2 the Soviet Union had become India's biggest trading partner, with the total value of imports and exports amounting to 26.6 billion rupees and representing 12.4 percent of India's total foreign trade figures. (Footnote 72) (As footnote 8, pp 227-232; as footnote 4, pp 148, 149) The Soviet Union is still India's biggest buyer of its traditional sluggish goods. Economic and trade relations between India and the Soviet Union are also closely linked with arms deals and India uses its trade surplus to buy cheap arms from the Soviet Union.

As a result the Soviet Union still enjoys a very special position in India's foreign trade and economic relations with foreign countries. Not only is Western aid larger in terms of quantity, it also occupies a more important position in supporting India's giant national economy. For many years India has increasingly relied on the West in areas such as food and industrial production (for example, supplies of industrial raw materials, spare parts for machinery and equipment, and so on). For a long time the United States has been India's largest supplier. [A total of] 11.4 percent of Western

aid was in the form of grants but three-fourths of the loans extended had to be repaid in foreign currency. What is more, about 11 percent of all Western aid was in the form of American surplus agricultural products and during the 1950's and 1960's all of this was used up and, as a result by the mid-1970's about \$2 billion of debt has been cancelled. [sentence as published] Over the last 10 years the West has relaxed restrictions on supplying aid and advanced technology. During these years the Indian Government has also relaxed its restrictions on foreign capital. There has been a clear increase in the number of joint investment enterprises set up in India. Between 1957 and 1983 the Indian Government ratified a total of 7,884 requests for joint ventures involving overseas investors, making an average of 307 per year. Of these some 2,178 were ratified between 1980 and 1983, an average of 545 every year. (Footnote 73) (As footnote 31, pp 126, 127)

/4. The strategy of agricultural development/ The Indian Government has adopted clear strategies toward agricultural development but they do not appear to be as purposeful and firm as the strategies discussed in the previous three spheres. Nevertheless, when we look back over the developments of the last 30 years we can see developmental changes. 1) As far as the government's recognition of and attitude toward agriculture is concerned, the process has been one of emphasis, ignorance, and emphasis again. However these changes were to a great extent forced on the government by objective economic developments and the difficulties facing the country. Before and during the First 5-year Plan the government emphasized agricultural recovery and development in order to solve the food problem. During the Second and Third 5-year Plans the Indian Government turned its attention to industrial development and thus ignored agriculture. After the hard lessons of many years the Indian Government is now increasingly coming to recognize that agriculture and rural construction are important spheres for development. 2) As far as agricultural development itself is concerned, there has been a shift from an emphasis on a revolution in social relations to the technological revolution. Before 1955 India rejected such systems where the landlord paid the tax as "chai ming da" [2693 2494 6671] and "jia ji da" [0502 0679 6671] which had been supported by the British colonial rulers. This revolution affected 40 percent of the entire country's land and thus 14 million acres (about 86 million mu) of land passed from the hands of parasitic landlords into the hands of 2 million "tenant farmer" households who cared about production (who were actually sublandlords) as well as rich peasants. Although the mass of the poor reached nothing from this it was a positive and advantageous move in agricultural development. (Footnote 74) (Lawrence A. White: "India's Second Revolution: The Various Aspects of Development," p 243) However, some of the land reform measures after this met with resistance, and hence failure, because of the strength of influential officials, rich locals, and state representatives. (Footnote 75) (See "Agricultural Development, Policies, and Questions in India," edited by C.H. Sha A [3097 7093] pp 324-345). This, then, was a compromise on the part of the capitalist classes, who controlled the central government, toward the power of the rich locals who wielded regional control. At the same time as promoting land reforms the Indian Government also organized "rural construction plans" with help from the

United States, and by 1957 these had been effected in three-fourths of India's rural areas, although they were abused to the advantage of only the rich country classes. (Footnote 76) (As footnote 72, p 222, from the conclusion of Ba Er Wen Te La Yi Mei Ta's [1572 1422 3306 3676 2139 0122 2734 1044] research group report) Just as India's agriculture was being utterly wiped out by industrialization and natural disasters, imported, high quality, short-stalked wheat from Mexico in 1966 produced increases in output in regions such as the Punjab where plans for high yield, high quality grain were implemented. From this moment on the focal point of agricultural development in India turned to the technological revolution, or the so-called "green revolution." 3) As far as planting technology is concerned, India mainly relied on irrigation construction and expansion of the tilled area during the 1950's in order to increase output. During the 10 years until 1960-1, the total area of cultivated land in India increased by 14 million hectares. In the 10 years after this it increased by 7 million hectares. During the first 10 years one-half of the increase in food output depended on increases in the area of cultivated land but during the second 10 years only one-fifth of the increase in food output depended on increases in the area of land. Instead, increases in food output mainly depended on increased yield per unit area. (Footnote 77) (K. Sa Er Wa Er La Di Fo [5646 1422 3907 1422 2139 5530 0154]: "China and India: Economic Appearances and Prospects," p 23; as footnote 74, p 222; Lu Bei Te Pei Nan Te Li's [7627 6296 3676 0160 0589 3676 2621] article: "Marking Time or Taking Off--An Examination of India," from THE ECONOMIST 28 Mar 1981) Since then, India's "green revolution" has developed in a very unbalanced way. According to various estimates, if all areas of India which have the necessary conditions were to promote the use of high quality, high yield crops, as has been done in the Punjab, then the country's food output could be expected to rise to 350 million tons. However, "the real obstacle to good harvests lies in the society and the system, and not in the technology, and this makes it even harder to solve." (Footnote 78) (Lu Bei Te Pei Nan Te Li's [7672 6297 3676 0160 0589 3676 2621] article as mentioned above in footnote 77) Finally, while drawing up the Seventh 5-year Plan, a new area of agricultural research has been raised, namely the future development of drought region crops. Agricultural scientists say that on the basis of today's extremely wasteful usage of water, India's water resources can only irrigate one-third of the cultivated land in the country, while the remaining two-thirds of the land must depend on the use of drought crops and seasonal rain, and in this sphere India has a great deal of potential to be exploited. The Indian Government has already earmarked the development of drought regions as one of its three major strategies in agricultural development. (Footnote 79) (From the guidelines of the Seventh 5-year Plan, passed by the Indian National Development Committee 13 July 1984, and a talk by planning committee member A.M. Ku Si Luo [1655 2448 5012] about the Seventh 5-year Plan, printed in the Indian ECONOMIC TIMES, 3 May 1984)

During the last years of Indira Ghandi's government, her economic policies and strategies were already being adjusted toward more domestic freedom and more relaxation on the foreign front. Now that Rajiv Ghandi has taken over, it is expected that these economic readjustments will essentially continue in the same direction. The main reasons for believing this are: 1) The readjustments that Indira Ghandi made in her last years were based on the

objective need for economic development in India and were not based simply on her arbitrary will. 2) Judging from Rajiv Gandhi himself and his closest advisors, they are all keen on modernization and lean toward more liberalization and opening up to foreign countries. Naturally the most pressing tasks facing Rajiv are political ones and it will take longer before there is any light on the horizon for the country's economic problems.

Chart 1 - India's Planning Periods

Healing the Wounds from the Division of
India and Pakistan

	15 Aug 1947 - 31 Mar 1951
First 5-year Plan	1 Apr 1951 - 31 Mar 1956
Second 5-year Plan	1 Apr 1956 - 31 Mar 1961
Third 5-year Plan	1 Apr 1961 - 31 Mar 1966
Three Years' Annual Plans	1 Apr 1966 - 31 Mar 1969
Fourth 5-year Plan	1 Apr 1969 - 31 Mar 1974
Fifth 5-year Plan	1 Apr 1974 - 31 Mar 1979
("Rolling Plan")	1 Apr 1978 - 31 Mar 1979
Annual Plan	1 Apr 1979 - 31 Mar 1980
Sixth 5-year Plan	1 Apr 1980 - 31 Mar 1985

Chart 2 - Planning Expenditure/Investments

Planning Percentage of Government Planning

	<u>Agriculture and Irrigation</u>	<u>Industry/Mining/ Communications/ Electricity</u>
1st Plan	31.0	42.2
2d Plan	20.6	57.6
3d Plan	20.5	59.3
1966-9	23.6	59.6
4th Plan	23.3	56.3
5th Plan	23.1	59.0
1979-80	27.0	54.8
6th Plan		
(Footnote 3)	23.3	46.6

Planning Investments (Footnote 2)

<u>Public Sector</u>	<u>Private Sector</u>
46.4	53.6
54.6	45.4
63.7	36.3
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60.3	39.7
57.6	42.4
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52.9	47.1

Sources: Footnote 1: Indian Government's "Economic Outline" for 1978-9 and 1982-3 and Ta Luo Ke Xin Ge's [1044 8157 0844 6580 2706] "India's Developmental Experiences," p 25. Footnote 2: "1982 Overview of Indian Statistics" edited by Ta Ta [1044 1044] Company, p 179. Footnote 3: Planned Targets.

Chart 3 - Result of India's First Five 5-Year Plans (average annual growth rate as a percentage)

Period	National Revenue	Agricultural Production	Industrial Production	Per Capita Consumption	Fixed Assets
1st Plan	3.6 (2.1)	4.1	7.3	1.7	3.0
2d Plan	4.0 (4.5)	4.0	6.6	1.8	5.8
3d Plan	2.2 (5.6)	-1.4	9.0	0.1	8.7
1966-9	4.0 -	6.2	2.0	2.0	1.5
4th Plan	3.3 (5.7)	2.9	4.7	0.4	3.1
5th Plan	5.4 (4.4)	4.2	5.9	2.3	6.6
28-year average	3.5 -	2.7	6.1	1.1	5.5

Source: Indian Government Planning Committee: "The Sixth 5-year Plan, 1980-5," p 11 and p 1

Figures in parenthesis are the originally planned growth targets.

Chart 4 - Success of India's "Import Substitution" Strategy (Percentage of country's total supplies represented by imports)

Year	Food	Iron & Steel	Machinery	Oil	Fertilizers
1950-1	5.9	25.2	68.9	92.5	72.5 (Footnote 1)
1955-6	1.7	39.9	41.0	93.8	39.8
1960-1	4.7	35.7	40.7	94.6	80.3
1965-6	9.5	16.7	27.8	76.6	58.3
1973-4	4.3	18.5	17.9	70.8	38.3
1977-8	0.2	1.1	15.3	63.1	27.5

Source: Indian Government Planning Committee: "The Sixth 5-year Plan, 1980-5," p 15

Footnote 1 Data for year 1951-2

Chart 5 - Proportions and Effects of Foreign Aid in India's Economic Planning

Planning	Actual ex- penditure (100 million rupees)	Repayment of loans & interest (100 million Rupees)	New foreign aid (100 million rupees)	Proportion of total planning expendi- ture (%)	Proportion of import costs (%)
1st plan	20.17	2.38	17.79	9.1	4.5
2d plan	143.04	11.94	131.10	28.1	26.9
3d plan	268.77	54.26	232.51	27.2	37.5
1966-9	332.96	98.25	224.71	33.9	37.5
4th plan	418.37	224.50	173.87	11.2	17.6
5th plan	730.95	377.94	353.91	8.9	12.8
6th plan	--	--	588.90	3.3	10.0
(planned figures)	(Footnote 1)				
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[Continued on next page]

Source: Indian Government Planning Committee "The Sixth 5-year Plan 1980-5,
p 14

Footnote: Added from p 72 of the above report

Chart 6 - Major Targets for 15 Years Long-term Planning

	1979-80	1984-5	1994-5
1. GNP (rupees) based on 1979-80 prices)	9,705.1	12,505.0	21,360.0
(Annual growth rate--%)	--	(5.2)	(5.5)
2. Accumulation rate--%	21.24	24.48	27.52
3. Investment rate--%	21.76	25.11	26.92
4. Population (hundreds of million)	6.541	7.172	8.430
(Annual Ave. growth rate--%)	--	(1.86)	(1.63)
5. Per capita GNP (rupees)	1,484	1,744	2,534
(Annual Ave. growth rate--%)	--	(3.28)	(3.81)
6. Monthly per capita consumption (rupees)	95.62	109.67	151.98
(Annual ave. growth rate--%)	--	(2.79)	(3.32)
7. Percentage of total population living beneath the poverty line (%)	48.44	40.00	8.74
8. Proportion represented by poorest 30 % of population in total consumption (%)	13.7	16.7	17.3
9. Employment figures (hundreds of millions)	1.51	1.85	2.48

Source: Indian Government Planning Committee: "The Sixth 5-year Plan 1980-5,"
p 18

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CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

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[Article by Liu Mingfu [0491 2494 1133] and Zhou Xincheng [0719 2450 1004]:
"Commenting on 'A Study of the Hungarian Economic STructure'"]

[Text] From 26 May 1983 to 30 June 1983, the delegation of economists sent by China's Academy of Social Sciences, headed by Comrade Liao Jili, visited Hungary and studied Hungary's reform of economic structure. This study has not only greatly pushed forward research on the Hungarian economic structure, but also has greatly pushed forward reform of the economic structure in China to a certain extent, and particularly has pushed forward study on the purpose and style of reform. Now "A Study of the Hungarian Economic System" (hereafter simply call "the study"), which contains the research report and a number of materials concerning some Hungarian enterprises, the system, the rules and regulations of Hungarian enterprises has been compiled and published by the China Finance and Economy Publishing House.

In Hungary the delegation held wide-ranging and profound discussions with the Hungarian vice premier responsible for the economy and the responsible comrades of the Hungarian Planning Bureau, Materials and Price Bureau, Labor and Salary Bureau, Ministry of Finance, State Bank, Ministry of Industry, Ministry of Agriculture and Food Industries, Ministry of Commerce and other economic organs, as well as several important scientific research institutes, trade unions, chambers of commerce, cooperatives and some other social organizations. The delegation carried out a general study on the process and principles of the Hungarian reform, but also carried out a specific study on the Hungarian planning structure, the various Hungarian economic coordination systems, and organizational structure. Sometimes, in order to acquire a clear understanding of a question, the delegation repeatedly asked and checked with the relevant Hungarian comrades (for example, the question of the income coordination system, the salary coordination system, and so forth). "The study" has been compiled after repeated deliberations and consultations on the basis of systematizing a large quantity of detailed materials obtained in this way.

"The study" has three outstanding characteristics. The first is reliability. All materials in the report are first-hand materials provided by the relevant responsible Hungarian comrades, which reflect the actual situation in reform

of economic structure in Hungary and are valuable materials for conducting research on the questions of foreign countries. The second is directness. The visit and study of the delegation in Hungary was a requirement of the situation of reform of economic structure in China. All questions asked by the delegation were questions which require timely solutions and were concerned with reform of economic structure in China. So the information and analyses on reform of economic structure in Hungary contained in the report can be directly used for reference in China's reform of economic structure. The third characteristic is systematicness. The study on Hungarian reform was not limited to the general situation only, but on the contrary, the delegation went deep into the various specific economic fields of Hungary and carried out an overall investigation and study on Hungarian planning, price, salary, circulation, agriculture, organizational structure, ownership and operational measures. Our country has rarely carried out such an overall and systematic research on the economic structure of a foreign country. After reading through "the study," one will certainly acquire a basic understanding of the overall situation in reform of economic structure in Hungary. The experiences summed up in the practice of Hungarian reform have greatly inspired us.

It should be noted that it is important to have a clear idea about the specific Hungarian measures in carrying out reform of the economic structure, but it is more important to analyze the theory and principles guiding Hungary's reform of economic structure so as to benefit China's reform of the economic structure. Specific measures are usually taken according to the actual situation of a country, but the situation in Hungary greatly differs from the situation in China, so we must not indiscriminately copy the specific measures of Hungary. However, theories and principles are of universal significance, so they can be studied and used for reference. It is highly commendable that "the study" has contributed much to our research on the theory and principles guiding reform of economic structure in Hungary. But, owing to the restrictions of time and work, the delegation did not carry out sufficient research into this respect while staying in Hungary.

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SHIJIE JINGJI DAOBAO ON PRIVATE ECONOMY IN EASTERN EUROPE

HK280738 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 299, 18 Mar 85 p 5

[Report by Chen Deyan [7115 1795 6056]: "After Repeated Setbacks Eastern Europe Understands the Role of the Private Economy"]

[Text] After many twists and turns the East European countries have come to realize the important role of the private economy in socioeconomic life.

The GDR began to help the private economy develop in 1976. Its new policy allows the parties concerned to offer financial support to newly opened individual businesses and reduces taxes for new enterprises in the service trades. The handicraft law provides the size of a private enterprise, which is allowed to employ 10 people (including its proprietor and his family members) and to employ one additional student or four disabled people.

The Czechoslovak Government began to support household sideline industries in 1979. Since 1981 people in this country have been given a private plot with an area not exceeding 0.5 hectare by the public agricultural units. Operators of the private plots are allowed to sell their products to the state or on free markets. Thus, the free markets which had been closed for 35 years have become brisk again. Recently, the parliament of Czechoslovakia has decided to provide social security program for individual workers in the service trades.

The private economy in Poland is also very brisk. Poland's policy provides that a private commercial unit can employ less than five workers; and a private handicraft enterprise can employ less than 50 people (including family members of the proprietor). The individual economy is the pillar of Poland's agriculture. The government allows an individual to possess 50 hectares of land and forbids any intervention in the selling, renting, and transferring of land by peasants.

Yugoslavia ensures that individual workers in the handicraft, catering, tourist, retail, and transport industries can enjoy similar rights as workers in the public sector. Private enterprises in this country have the right to open their own plants and workshops. The number of employees in these enterprises in general does not exceed five people. A progressive tax is imposed on their incomes, and the tax rate may be as high as 80 to 90 percent.

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CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

PRC ECONOMISTS VISIT POLISH INTEGRATED COMPLEX

HK221402 Beijing RENMIN RIBAO in Chinese 19 Mar 85 p 7

[Article by Jin Hui: "A Visit to the 'Iron Will' Integrated Complex in Poland"]

[Excerpts] A Chinese economists' delegation was invited to visit Poland last year. During the trip, we visited the "Iron Will" integrated complex, which is situated more than 200 km south of Warsaw. We arrived at the location of the integrated complex, Stalowa Wola City (meaning "iron will" in Chinese) in the afternoon.

The factory site covers several dozen hectares. The manager of the integrated complex told us: The factory, which was originally designed as a metallurgical plant, was built in 1937 and smelted the first steel in 1938. It has a history of about half a century. In 1972 the plant was transformed into a metallurgical and heavy machinery integrated complex, manufacturing heavy machinery for building and road construction and for transportation, with an annual output value of about 40 billion zlotys. We could only visit a small part of such a big enterprise in 2-3 hours. (Harme), deputy director of a branch factory, enthusiastically told us: "It has been a long time since we have received Chinese comrades, and we will certainly make your visit a satisfactory one." A black-haired middle-aged woman in her forties, she was talkative and looked very capable and experienced. She took us to a general assembly workshop. In a tall and spacious workshop, the workers were assembling a giant bulldozer. Two giant cranes were hoisting and delivering spare parts to various working areas. The hostess told us that employing a fairly advanced hydraulic transmission technology, the bulldozers are manufactured under a U.S. patent. The products are then resold in the United States with fairly satisfactory economic results. These products are also quite competitive on international markets. In addition to the United States, they are also sold to the Soviet Union and the East European countries, as well as to West European and Asian countries, including China. The total export volume is \$25 million annually. At this point, I recalled that in Warsaw, the Polish comrades had talked about the profound lessons they had learned from the large-scale import of foreign funds and new technology and from the successful experiences some enterprises had gained in the purchase of patents. It seemed that this plant was one of the enterprises which had benefitted from patent purchases.

After the visit, the manager of the integrated complex gave us a brief introduction to the various reforms carried out by the enterprises, such as keeping the initiative in one's hands, practicing self-government, and assuming sole responsibility for profits or losses. In the past all important quotas were decided by the higher authorities. After the reform, the enterprise greatly expanded its decisionmaking power. The production plan can be independently formulated according to the market needs at home and abroad, the production capacity of the enterprise, and the supply of raw materials and fuels. Two parameters are very important here: 1) The salary funds depend on the amount of net output value; and 2) profits dictate the expanded reproduction funds and the welfare funds. If the enterprise fulfills its production tasks satisfactorily, the state, the enterprise, and the workers and staff members are satisfied. Otherwise, the bank will exercise supervision by refusing to grant any credits. When talking about the results of its operation, the manager smilingly said that if the enterprise makes profits, it will retain a certain proportion of foreign exchange and the salaries of the workers will also be increased. With regard to the relationship between the enterprise self-governing body, the manager, and the other organizations, the manager said that the self-governing body of the enterprise is the organ of power of the enterprise, which makes decisions on all important issues and exercises supervision over the activities of the enterprise. Its standing body is the committee of workers and staff members whose decisions must be implemented by the manager. In ordinary times the manager coordinates the work of the self-governing body and the administrative, trade union, and youth organizations.

After visiting the "Iron Will" integrated complex, we felt that although the Polish economy suffered setbacks in the late 1970's and early 1980's, it still has great potential and, spurred on by the ongoing economic reform, will radiate new vitality.

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TAIWAN

COMMITTEE EYES FREE TRADE AREA WITH U.S.

OW051009 Taipei CNA in English 0938 GMT 5 Apr 85

[Text] Taipei, 4 Apr (CNA)--A government ad hoc committee on Sino-American trade is studying the feasibility of a free trade area agreement with the United States, patterned after the ones the United States has with Canada and Israel. Under the agreement, if one is ever signed, both parties will remove tariff and non-tariff barriers on the movement of certain categories of goods and services.

The trade between the two countries is in favor of the Republic of China, which ships 48 percent of its exports to the United States. The imbalance amounts of U.S.\$9.8 billion in favor of the Republic of China.

Trade officials express in private that they are alarmed by the harsh demand of the American Congress on Japan, which has some U.S.\$37 billion going for it in its trade with the United States. Japan is asked to open up its market to American goods, or else.

They are also concerned with the new GSP [expansion unknown], under which more Taiwan products will face tougher restrictions. They also note the rise of protectionism in the United States.

The free trade area agreement seems to offer a way for smoothing out the trade frictions.

Officials in the Finance Ministry, however, are advising caution. If the free trade area is opened for American goods, the government coffers may lose up to NT\$14 billion a year in tax revenues.

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TAIWAN

OFFICIAL ON NARROWING TRADE GAP WITH U.S.

OW050413 Taipei CNA in English 0247 GMT 5 Apr 85

[Text] Taipei, 4 Apr (CNA)--The Republic of China [ROC] understands the problem of the widening trade gap with the United States and has been doing its best to reverse the trend, an economics official said Wednesday.

"The problem is resolvable. But we need time," the official with the Council for Economic Planning and Development stressed.

The ROC Government has felt much pressure recently under the impact of growing friction between the United States and Japan because of their trade imbalance.

The U.S. suffered a U.S. dlrs 37 billion deficit in trade with Japan last year, and the U.S. Congress has been pressing the Reagan administration to do something more to narrow the trade gap.

The ROC enjoyed a U.S. dlrs 9.8 billion surplus in trade with the U.S. in 1984. But, if the two sets of trade figures are put up against the population figures for Japan and the ROC respectively, this nation's trade surplus with the U.S. surpasses that of Japan, he pointed out. "We should be aware of the situation," he added.

However, he said the ROC Government has taken steps to push ahead trade liberalization and internationalization in order to fully resolve the imbalance problem.

Canada, Singapore, and Hong Kong are also enjoying trade surpluses with the U.S., but their open market policy has drawn no complaint from the U.S., he noted.

At the same time, the official also called on the U.S. authorities to understand the "reality" for the trade imbalance with the ROC:

--The ROC-U.S. trade has not included the ROC's purchase of military equipment;

--Most of the ROC goods sold to the U.S. are consumer goods. They are benefiting American consumers; Japan's exports cover mostly automobiles and other industrial products, directly affecting the American employment market; and

--American companies should dispatch more sales representatives to this country, not buyers.

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TAIWAN

TAIWAN, NETHERLANDS END BUSINESS COUNCIL MEETING

OW040359 Taipei CNA in English 0254 GMT 4 Apr 85

[Text] Taipei, 3 Apr (CNA)--The third meeting of the Chinese-Dutch Joint Business Council Wednesday afternoon stressed the importance of further strengthening cooperation in agriculture, science, technology and trading between the two countries.

In a joint statement issued immediately after concluding the two-day session held at the Howard Plaza Hotel in downtown Taipei, delegations from the two nations expressed gratification with the results of the meeting, saying that it was action-oriented and has clearly defined the extensive possibilities of cooperation which both parties can pursue further.

Delegates on the Chinese side emphasized that it is essential for the Netherlands to simplify the visa procedures for ROC [Republic of China] applicants desiring to enter into the Netherlands, saying that will be of great importance to facilitate trade and industrial cooperation, and to promote development of tourism.

Y.S. Chen, representing the Republic of China, and A.M. Leis, representing the Netherlands, signed the joint statement in Taipei Wednesday. Both parties also agreed that the next meeting of the joint business council will be held in the Hague in 1986 at a date to be decided at an appropriate time.

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TAIWAN

MINISTRY PREDICTS STEADY ECONOMIC GROWTH

OW050411 Taipei CNA in English 0238 GMT 5 Apr 85

[Text] Taipei, 4 Apr (CNA)--The Ministry of Economic Affairs pointed out Wednesday that the 3.5 to 4 percent growth rate forecast for the United States economy this year will enable the Republic of China's trade with the U.S. to grow at a normal pace.

The ministry also pointed out that the implementation of the government's 14 major development projects will elevate the growth rate of the nation's capital investment, thus maintaining a steady growth for the overall economy.

These were among statements in a report by the ministry's commodity price supervisory board to its decision-making officials. The report centers on the nation's economic prospects this year.

The officials said they are cautiously optimistic about this year's economic development here after hearing the report which analyzes various factors affecting the economic situation.

One of the officials predicted that carrying out the 14 development projects will raise the growth rate of the nation's capital investment from last year's 8.6 percent to 11.8 percent this year. "This would be instrumental to the overall economic growth," he added.

He further commented that if the banks here do not tighten their money supply, it should not be difficult for the nation to achieve the targeted economic growth rate of 8.5 percent.

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TAIWAN

NEW MEASURES TO ASSIST HONG KONG INVESTORS

OW060421 Taipei CNA in English 0300 GMT 6 Apr 85

[Text] Taipei, 5 Apr (CNA)--The Executive Yuan has approved a set of measures to assist Overseas Chinese in Hong Kong and Kowloon to invest in this nation.

Under these incentive measures, used machinery in Hong Kong will be allowed to be imported into this nation under the following conditions:

--The machinery is indispensable to the manufacturing operation of their plants in this nation;

--Guarantees are given by patriotic Overseas Chinese groups in Hong Kong or personnel designated by the government that the machinery will be used only in their own plants after it is shipped to this nation; and

--Machinery that has been used for over three years must be able to run for at least another five years.

The Executive Yuan said that the government will give priority to Hong Kong Chinese investors in providing land in the industrial zones for them to build plants.

In addition, the Executive Yuan said it will revise the statutes government Overseas Chinese and foreign investments to facilitate Overseas Chinese investors in Hong Kong to freely remit their capital and profits in and out of this nation.

Those who need loans to invest in this nation may file their applications and handle necessary mortgage procedures in banks in Hong Kong, the Executive Yuan noted.

The Executive Yuan also said that it will allow the bills finance corporations here to issue beneficiary certificates to Overseas Chinese investors in Hong Kong in order to attract more capital into the nation's stock markets. [sentence as received]

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TAIWAN

ECONOMICS MINISTRY TO ENHANCE INDUSTRIAL GROWTH

OW060349 Taipei CNA in English 0316 GMT 6 Apr 85

[Text] Taipei, 5 Apr (CNA)--A total of 5,312 manufacturers in this nation decided last year to expand their businesses, and the capital for expansion of their businesses amounted to NT [New Taiwan] dollar 150 billion (U.S. dollar 3.75 billion), up 96 percent from the figure in 1983, the Ministry of Economic Affairs [MOEA] said Friday.

An MOEA official said that as the condition of most industries here was quite good last year, the total value of exports of industrial products in 1984 reached as high as U.S. dollar 29.8 billion, an increase of 21.5 percent over the year before.

To enhance industrial growth and lay a strong foundation for the future development of the nation's industries, this official said the MOEA has decided to take the following measures:

--Promoting the development of strategic industries and whole plant exports;

--Raising the industrial productivity, establishing a system for satellite industries, and organizing task forces to help manufacturers streamline their management and upgrade their technological levels;

--Improving the image of the nation's export products and eliminating the abnormal practice of counterfeiting;

--Encouraging business establishments to pay more attention to research and development, and to develop new products; and

--Tightening up prevention of industrial pollution and coordinating with momentary institutions to grant low-interest loans to manufacturers to buy equipment for such purposes.

CSO: 4020/174

TAIWAN

BRIEFS

KUWAIT, SAUDI OIL IMPORTS CUT--Riyadh, 8 Apr (CNA)--Vice President of Chinese Petroleum Corp [CPC] Chang Yu tsai left for Bahrain Sunday after a short visit to Saudi Arabia. Accompanied by former CPC representative in Saudi Arabia Chang Hong-chiang, and current representative Tseng Che-seng, Chang called on ranking Saudi officials at the Ministry of Petroleum and Minerals and the state-owned petroleum company. Before coming to Saudi Arabia, Chang visited Kuwait, and signed a new oil-buying contract with Kuwaiti Oil Company, in which CPC has reduced import of Kuwaiti oil to 65,000 barrels per day from former 75,000 bpd. ROC's official import of oil from Saudi Arabia is 50,000 barrels per day which remains unchanged. But the other 95,000 bpd supplied to CPC by major U.S. companies on behalf of Saudi Arabia, will be cut, although exact figures are not disclosed. [Text] [Taipei CNA in English 1004 GMT 8 Apr 85 OW]

PANAMANIAN PRESIDENT RECEIVES BANKER--Panama City, 6 Apr (CNA)--K.H. King, chairman of the board of directors of the International Commercial Bank of China (ICBC), left Panama Saturday morning after concluding a five-day visit in this Central American nation. Before his departure, King told CENTRAL NEWS AGENCY that he sees a bright future of the Panamanian economic development. The Chinese banker praised Panamanian President Nicolas Ardito Barletta as an excellent economist, saying that under his leadership the Panamanian economy is on its way to progress. Referring to ICBC operations in Panama, King said that his bank will increase financial support for overseas Chinese entrepreneurs in this country. To serve overseas Chinese is one of the main tasks of his bank, he stressed. The ICBC now has two branch offices in Panama, one in Panama City and the other in Colon Free Zone. The ICBC chairman, accompanied by Chu Sung-yuen, superintendent of the bank, arrived in Panama Tuesday. During his stay here, he was received by Panamanian President Nicolas Ardito Barletta. He also met with his Panamanian counterparts and overseas Chinese leaders in addition to inspecting the operations of ICBC branches. [Text] [Taipei CNA in English 1418 GMT 7 Apr 85 OW]

AGRICULTURAL TIES WITH ASIA--Taipei, 6 Apr (CNA)--The Asian Productivity Organization has authorized the Republic of China to sponsor five agricultural promotion projects between 1985 and 1987 in Taiwan. The five projects, which call for a budget of NT Dollars 22.5 million, include workshops on management of rice harvest to reduce loss, training on quality control of processed foodstuffs, and symposium on food processing machinery, said the

Council of Agriculture of the ROC Executive Yuan which will sponsor the activities. About 100 government officials, leading foods processing businessmen and machinery experts from 16 nations and areas in Asia will take part in the five projects, said an official of the council. The official said the promotion projects will not only help improve food production in Asia, further agricultural cooperation between ROC and other Asian countries but also make the nation's remarkable achievement in agriculture better known to the world. The Asian Productivity Organization, he said, is an international organization among governments. Member nations of the organization include the ROC, Japan, South Korea, the Philippines, Thailand, Malaysia, Singapore, Hong Kong, Indonesia, India, Pakistan, Nepal, Sri Lanka, Fiji, Iran, and Bangladesh. The Republic of China is one of the founding members. [Text] [Taipei CNA in English 1005 GMT 6 Apr 85 OW]

INDIA-TAIWAN RELATIONS--Taipei, 5 Apr (CNA)--Prospects for expanding economic and trade relations between the Republic of China [ROC] and India are very good, an Indian trade leader indicated Friday. Virendra P. Punj, chairman of the Federation of Indian Export Organizations, said he believes that economic and trade cooperation between the two nations will benefit both of them as India is a large market of 700 million and the ROC owns modern industry and great wealth. India basically is a quite stable market although there are occasionally some political problems, he said. Moreover, the new Indian Government has taken many measures toward free economic policy. More foreign products, capitals and technologies will be allowed to enter India, he pointed out. The new favorable situation, he said, will make close cooperation easier between the ROC and India. He assured that he will also do his best to help resolve the problem traders of both nations experience in making application for travel visas to visit the other country. Punj concluded his three-day visit here Friday. He arrived April 3 at the invitation of the China External Trade Development Council after attending the annual convention of the International Chambers of Commerce in Seoul. [Text] [Taipei CNA in English 0326 GMT 6 Apr 85 OW]

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HONG KONG ECONOMIC TRENDS

LAND AUCTIONS HAD GOOD YEAR IN 1984

Hong Kong TA KUNG PAO in Chinese 18 Jan 85 p 9

[Article by Li Qiwen [2621 0796 2429]: "Land Auctions Bounced Back in 1984"]

[Text] The Hong Kong government sold 17 pieces of land by auction in 1984, earning a total of HK\$1.67 billion, which was 9.38 times that of 1983 and 78 percent higher than in 1982. The combined area of the 17 pieces of land was 84,300 sq m, 113 percent over that in 1983 and just 13,000 sq m less than the 1982 figure of 97,000 sq m. After a 2-year lull in real estate, the Hong Kong government has achieved a fairly respectable record in land auctioning.

Such a record did not come easy. In February 1984, the government put Queensway Section 2 up for auction at an opening price of HK\$300 million, a far cry from the HK\$1.82 billion it asked for earlier. In July 1984, it sold off a non-industrial lot in east Tsimshatsui. Before the auction, in response to developers' suggestions, it had reduced the minimum engineering costs from HK\$130 million to HK\$100 million. The government's accommodating attitude, as shown in its willingness to reduce costs and revise procedures, has enriched its coffers and enabled it to get dispose of land more easily.

Furthermore, the government's pragmatic decision last April to make land rights exchange certificate legal tender which would be applicable to land investment fueled an intense round of bidding by developers. This is another reason why land auctioning has been doing so well. In 1984 the government auctioned off two expensive lots in Tsimshatsui with a total price tag of HK\$355 million. Apart from deposits, however, much of the value of the two deals was paid for with land rights exchange certificates so that the actual earnings of the government did not amount to much. On the other hand, the transactions did succeed in reviving the real estate market, a long-term gain irreplaceable by any immediate economic gains.

In fact, ever since the land rights exchange certificate became legal tender, the cash flow problems of many real estate companies have been alleviated to the benefit of the property market. After the Sino-British declaration on the future of Hong Kong, sales of land rights exchange certificates, which had been dormant for some time, immediately shot up.

Yet another important point about land auctioning in 1984 is its high success rate. Of the 20 lots put on the auction block, 17, or 85 percent, were sold.

In 1983, in contrast, the government managed to find a buyer for only 14 of the 29 lots of land it offered to sell, a success rate of 48 percent. Moreover, the government held only 6 auctions for all of 1984, one of the lowest in recent years because it tried to avoid auctioning land at a time when the market was depressed. On the rare occasions that it did, it was usually in response to developers' requests. This explains why every auction last year met with active bidding.

Land auctioning aside, other real estate activities remained in the doldrums, e.g., private land transactions and land approval. There were altogether 418 cases of private land transaction in 1984, a drop of 6.7 percent from 1983. Their overall value amounted to only HK\$2.1 billion, which was lower than the 1983 value by 54.5 percent. This sluggishness was obviously due to the many uncompleted properties in the hands of developers and the continuing oversupply of certain types of property.

To sum up, the property absorption rate began to inch up again in 1984 at the same time when the Hong Kong government also adopted realistic measures to create a climate favorable to the revival of the property market. Not only has the real estate market picked up, but it has also been developing in a more healthy way. Now is the time for developers to lay down a more long-term strategy to strive for long-term gains.

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HONG KONG ECONOMIC TRENDS

MORE FIRMS USE HONG KONG AS SPRINGBOARD TO CHINA

Hong Kong TA KUNG PAO in Chinese 23 Jan 85 p 4

[Text] In a speech delivered at the London Stock Exchange in the small hours of January 23rd (London Time Tuesday 6 p.m.), Sir Edward Youde, Governor of Hong Kong, said that the Sino-British joint declaration on the future of Hong Kong has revived confidence in the territory and expressed optimism for its future.

In his speech entitled "Hong Kong's Political and Trade Prospects," the governor also pointed out that the joint declaration has made overseas investors more confident about Hong Kong.

Sir Edward Youde noted that investments in plants and equipment have gone up, a delayed response on the part of investors to the upturn in Hong Kong's exports. The real estate market also has been doing better recently than in the last few years.

He said, "Some foreign businessmen, particularly those from the United States, have always been convinced that a solution would ultimately be found which satisfies all parties."

He also said, "There are 500 factories in Hong Kong which are partly or wholly owned by foreign investors. Half of all foreign investments originate in the United States, while Japan accounts for another one fifth. American investments in the electronics industry are particularly outstanding, having grown by over 50 percent in the past three years. At present, American capital makes up almost 80 percent of all investments in the electronics industry."

He added, "Japanese banks have shown a good deal of interest in investing in Hong Kong's financial sector. In the past two years, of the 14 banks licenced to do business there, 10 are Japanese."

Commenting on Hong Kong's tremendous potential for British businessmen, Sir Edward said that many British companies, including some which are household names in Hong Kong, are flourishing and highly profitable. There are over 50 British manufacturing firms in Hong Kong, their combined investments reaching 88 million pounds sterling. Compared with American, Chinese or Japanese investments, however, this is clearly an extremely modest figure.

British investments in Hong Kong account for only 7 percent of total foreign investments. And a mere 4 percent of Hong Kong's imports are made in Britain.

He described as rather puzzling Britain's limited investments in the territory. Actually, there is no reason why Britons cannot play a more active role there. Nor is there a reason why British goods cannot be more competitive in Hong Kong.

Sir Edward observed, "Economically speaking, I think Hong Kong is a land of opportunity for British as well as other foreign firms. I am very pleased to note that this view of mine has come to be shared by a couple of major British companies in the past year."

He emphasized the current trend in which more and more multinational companies consider Hong Kong a springboard to the Southeast Asian market and particularly to China. Quite a few companies have followed this route to expand their operations and done well by it.

Noting the modernization drive now underway in China, Sir Edward said, "The sky is the limit for those Hong Kong companies which can provide the advanced technology and services needed by China. British companies can certainly be a part of this new development and step up their investments in Hong Kong."

Referring to the joint Sino-British declaration on Hong Kong's future, Sir Edward said that it would be in the interests of the world if the agreement succeeds and Hong Kong continues to prosper, and they will.

He said, "The agreement initialled by Britain and China in Beijing on September 26th 1984 represents a solution to the problem of Hong Kong's future. This agreement was immediately welcomed by the Hong Kong public. I had little difficulties in recommending it to the people of Hong Kong who, along with the two Houses of Parliament, and even the world, agree that this is a sound agreement."

He added, "I am not going to deceive myself and others by pretending that it will all be smooth sailing ahead. Hong Kong's dependence on exports and its open trade and financial system make it vulnerable to ups and downs in the international economy."

He said, "The Sino-British agreement has not dispelled all the doubts in the minds of the citizens of Hong Kong regarding its future. Some people still take a 'wait and see' attitude. But I am convinced that if we compare the uncertainty facing Hong Kong with that confronting other parts of the world, the territory has a relatively bright future. All the factors which made Hong Kong prosperous in the past still exist."

He stressed that Hong Kong has a sound economy, with a growth rate in manufacturing, exports, services and finance that we can all be proud of. The Hong Kong currency, now pegged to the U.S. dollar, has been stabilized and inflation is falling. The government of Hong Kong continues to invest in future projects and keeps up its efforts to satisfy social needs so as to lay a solid foundation for the achievement of social stability. The government will continue its prudent fiscal policy."

Sir Edward pointed out that the joint agreement is a commitment made by both Britain and China to maintaining Hong Kong's stability and prosperity. It has an effective binding force and he is confident that both countries will honor this commitment.

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HONG KONG ECONOMIC TRENDS

CENTRAL DISTRICT OFFICE SPACE RENTING PICKS UP

Hong Kong TA KUNG PAO in Chinese 17 Jan 85 pp 9

[Article by Li Qiwen [2621 0796 2429]: "Office Space Renting Picks Up"]

[Text] The Hong Kong Land Company and chungliang hang recently announced that as of December 1984, the Hong Kong Club Building in Central District had already lined up 20 tenants which would occupy a combined area of over 99,000 sq ft, or 70 percent of total available space. Most of its tenants are banks and financial institutions, a majority of them Japanese companies.

Tenants Doubled in Three Months

Earlier in September, the Hong Kong Land Company and chungliang hang revealed that the building had signed up ten tenants which would take up 57,000 sq ft, 40 percent of available office space in the building. The fact that the number of tenants doubled and rented area increased by 40,000 sq ft in just three short months testifies to the recovery in the market.

In fact, another hub of office buildings in Hong Kong, Tsimshatsui, has been showing obvious signs of revival earlier last year, due to the upswing in manufacturing industries. From 1983, as various manufacturing industries gradually took a turn for the better, many manufacturers decided to expand their plants and offices. Consequently, to make room for production operations, some offices were moved from their original locations in industrial areas to Tsimshatsui where rents are less expensive and communications convenient. Hence the office building boomlet in Tsimshatsui, particularly its eastern part.

Commercial Property Renting Speeds Up

The above facts show that in the wake of the Sino-British agreement on Hong Kong's future, which ensures its position as a financial center, and an improvement in the international economic situation, the local economy has also made significant progress, triggering a satisfactory growth in the occupancy rate of office buildings vacant in 1984. Some property consultants revealed that the commercial property vacancy rate in major business areas has dipped to 5 percent, considerably better than in early 1984. Naturally the market in Wanchai and other more peripheral areas is still languid, due to communications and other reasons.

Aggressive salesmanship on the part of property owners is another reason why commercial properties were sold or rented more quickly in 1984. Take east Tsimshatsui, for instance. Some owners resorted to giving away rugs and air conditioners to induce tenants. Others take the tack of letting tenants rent first, with an option to buy later. Developers in Central District offer special discounts to international corporations in the hope that they would consolidate their dispersed operations by taking up an entire floor or several floors in a single building.

Because of the oversupply of office space, developers must vigorously compete with one another in their bid for business. This effectively put a ceiling on the rentals and sales prices of commercial properties throughout 1984. Statistics show that the rentals (excluding maintenance costs, cleaning services and air conditioning) of first-class offices in Central dropped 8 percent while those in Wanchai and Causeway Bay decreased by almost 20 percent. Rentals in Tsimshatsui were stable.

Rentals and Sales Prices Remain Low

Wheelock Building, the Hong Kong Club Building, the Exchange Square and the Hong Kong and Shanghai Bank Building were successively completed in 1984 and so far this year, adding a total of several million square feet of office space. It is estimated that 7.3 million square feet of new office space were added to the market in the past two years. Assuming that we need 2.3 million square feet of additional space each year, our new stock of commercial properties is adequate to satisfy our needs for the next five years.

Fortunately, Hong Kong's economy is still expanding strongly. Our continued economic growth and China's policy to open itself to the world, which would attract more foreign capital to Hong Kong as a springboard to the Chinese market, will certainly accelerate the rate at which local office space will be occupied.

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